

DYNARESOURCE INC  
Form 10-Q  
May 11, 2012

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 0-53237

DYNARESOURCE, INC.

(Exact name of small business issuer as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

94-1589426  
(IRS Employer Identification No)

222 W Las Colinas Blvd., Suite 744 East Tower, Irving, Texas 75039  
(Address of principal executive offices)

(972) 868-9066  
(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

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Large Accelerated Filer   

Accelerated Filer           

Non-Accelerated Filer   

Smaller Reporting  
Company                   

Indicate by a check mark whether the company is a shell company (as defined by Rule 12b-2 of the Exchange Act):

Yes  No

As of May 10, 2012, there were 10,721,618 shares of Common Stock of the issuer outstanding.

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TABLE OF CONTENTS

PART I. FINANCIAL STATEMENTS

|   |         |
|---|---------|
| ITEM 1. Financial Statements                                      | 3       |
| Notes to Financial Statements                                     | 7 - 17  |
| ITEM 2. Management's Discussion and Analysis or Plan of Operation | 18 - 31 |
| ITEM 3. Quantitative and Qualitative Disclosure About Market Risk | 32      |
| ITEM 4. Controls and Procedures                                   | 32      |

PART II. OTHER INFORMATION

|   |    |
|---|----|
| ITEM 1. Legal Proceedings                                   | 33 |
| ITEM 2. Changes in Securities                               | 33 |
| ITEM 3. Default Upon Senior Securities                      | 33 |
| ITEM 4. Submission of Matters to a Vote of Security Holders | 33 |
| ITEM 5. Other Information                                   | 33 |
| ITEM 6. Exhibits and Reports on Form 8-K                    | 34 |

|                |    |
|----------------|----|
| CERTIFICATIONS | 35 |
|----------------|----|

|  |  |
|--|--|
| EXHIBIT                                    |  |
| 31.1 CHIEF EXECUTIVE OFFICER CERTIFICATION |  |

|  |  |
|--|--|
| EXHIBIT                                    |  |
| 31.2 CHIEF FINANCIAL OFFICER CERTIFICATION |  |

|   |  |
|---|--|
| EXHIBIT   |  |
| 32.1 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 |  |

## DYNARESOURCE, INC.

(An Exploration Stage Company)  
Consolidated Balance Sheets  
March 31, 2012 and December 31, 2011

|  | 2012               | 2011               |
|--|--------------------|--------------------|
| <b>ASSETS</b>  |                    |                    |
| Current Assets:  |                    |                    |
| Cash and Cash Equivalents  | \$2,199,302        | \$2,670,933        |
| Foreign Tax Receivable   | 71,112             | 34,593             |
| Other Current Assets   | 50,800             | 45,134             |
| Total Current Assets   | 2,321,214          | 2,750,660          |
| Fixed Assets:  |                    |                    |
| Mining Camp Equipment and Fixtures (Net of Accumulated Depreciation of \$728,426 and \$705,511)  | 944,404            | 967,319            |
| Mining Properties (Net of Accumulated Amortization of \$497,161 and \$484,842)   | 4,206,206          | 4,218,525          |
| Total Fixed Assets   | 5,150,610          | 5,185,844          |
| Other Assets:  |                    |                    |
| Investment in Affiliate  | 70,000             | 70,000             |
| Other Assets   | 200,999            | 178,178            |
| Total Other Assets   | 270,999            | 248,178            |
| <b>TOTAL ASSETS</b>  | <b>\$7,742,823</b> | <b>\$8,184,682</b> |
| <b>LIABILITIES AND EQUITY</b>  |                    |                    |
| Current Liabilities:   |                    |                    |
| Accounts Payable   | \$36,455           | \$73,266           |
| Accrued Expenses   | 49,332             | 52,029             |
| Total Current Liabilities  |                    |                    |
| Long-Term Liabilities  | 85,7870            | 125,2950           |
| <b>TOTAL LIABILITIES</b>   | <b>\$85,788</b>    | <b>\$125,295</b>   |
| Equity:  |                    |                    |
| Preferred Stock, \$1.00 par value, 10,000 shares authorized<br>1,000 and 1,000 shares issued and outstanding                           | \$1,000            | \$1,000            |
| Common Stock, \$0.01 par value, 25,000,000 and 12,500,000 shares authorized<br>10,672,618 and 10,602,868 shares issued and outstanding | 106,726            | 106,029            |
| Preferred Rights   | 40,000             | 40,000             |
| Additional Paid In Capital   | 39,044,531         | 38,421,114         |
| Other Comprehensive Income   | 186,701            | 575,600            |
| Accumulated Deficit  | (6,002,516 )       | (6,002,516 )       |
| Accumulated Deficit Since Reentering the Development Stage   | (21,941,339)       | (21,493,034)       |
| Total DynaResource, Inc. Stockholders' Equity  | 11,435,103         | 11,648,193         |
| Noncontrolling Interest  | (3,778,067 )       | (3,588,806 )       |
| <b>TOTAL EQUITY</b>  | <b>7,657,036</b>   | <b>8,059,387</b>   |

|                              |             |             |
|------------------------------|-------------|-------------|
| TOTAL LIABILITIES AND EQUITY | \$7,742,823 | \$8,184,682 |
|------------------------------|-------------|-------------|

The accompanying notes are an integral part of these financial statements.

3

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## DYNARESOURCE, INC.

(An Exploration Stage Company)

Consolidated Statements of Operations

For the Three Months Ended March 31, 2012 and 2011

And Cumulative Since Re-entering the Development Stage (January 1, 2007)  
through March 31, 2012

|   | 2012          | 2011           | Cumulative<br>Since<br>Reentering the<br>Exploration<br>Stage<br>(January 1, 2007<br>through March<br>31, 2012) |
|---|---------------|----------------|---|
| REVENUES  | \$ 0          | \$ 0           | \$ 346,726  |
| EXPLORATION EXPENSES (exclusive of depreciation and<br>amortization shown separately below) | 234,871       | 1,663,036      | 14,675,987  |
| GROSS PROFIT (DEFICIT)  | (234,871 )    | (1,663,036)    | (14,329,261)  |
| OPERATING EXPENSES  |               |                |   |
| Depreciation and Amortization Stock Issued for Services                                     | 35,234 0      | 93,181         | 2,748,564   |
| General and Administrative  | 781,755       | 318,262        | 7,081,059   |
| TOTAL OPERATING EXPENSES  | 816,989       | 446,675        | 10,588,798  |
| NET OPERATING INCOME (LOSS)   | (1,051,860 )  | (2,109,711)    | (24,918,059)  |
| OTHER INCOME (EXPENSE)  |               |                |   |
| Portfolio Income  | 250           | 297            | 21,613  |
| Currency Translation Gain (Loss)  | 381,491       | 474,633        | (1,086,248 )  |
| Other Income  | 0             | 0              | 2,987   |
| TOTAL OTHER INCOME (EXPENSE)  | 381,741       | 474,930        | (1,061,648 )  |
| NET INCOME (LOSS) BEFORE INCOME TAXES   | (670,119 )    | (1,634,781)    | (25,979,707)  |
| Provision for Income Taxes (Expense) Benefit  | 0             | 0              | 38,259  |
| NET INCOME (LOSS)   | \$ (670,119 ) | \$ (1,634,781) | \$ (25,941,448)   |
| Net Loss Attributable to Non-Controlling Interest   | 221,814       | 724,230        | 3,769,897   |
| NET LOSS ATTRIBUTABLE TO DYNARESOURCE, INC.<br>COMMON SHAREHOLDERS                          | (448,305 )    | (910,551 )     | (22,171,551)  |
| Unrealized Loss on Securities Held for Sale   | 0             | 0              | (735,760 )  |

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|  |                      |                      |                        |
|--|----------------------|----------------------|------------------------|
| Unrealized Currency Translation Gain (Loss)  | 80,556               | 6,125                | 1,052,039              |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>   | <b>(367,739 )</b>    | <b>(904,426 )</b>    | <b>(21,855,272)</b>    |
| Comprehensive (Income) Loss Attributable To<br>Non-Controlling Interest                  | (32,553 )            | (1,531 )             | 39,395                 |
| <b>COMPREHENSIVE LOSS ATTRIBUTABLE<br/>TO DYNARESOURCE, INC. COMMON<br/>SHAREHOLDERS</b> | <b>\$ (400,292 )</b> | <b>\$ (905,957 )</b> | <b>\$ (21,815,877)</b> |
| <b>EARNINGS PER SHARE, Basic and Diluted</b>   |                      |                      |                        |
| Weighted Average Shares Outstanding Basic and Diluted                                    | 10,615,903           | 9,833,388            |                        |
| Income (Loss) per Common Share, Basic and Diluted  | \$ (0.0631 )         | \$ (0.1085 )         |                        |

The accompanying notes are an integral part of these financial statements.

## DYNARESOURCE, INC.

(An Exploration Stage Company)

## Consolidated Statement of Changes in Stockholders' Equity

For the Three Months Ended March 31, 2012 and the Year Ended December 31, 2011

|   | Preferred<br>Shares | Preferred<br>Amount | Common<br>Shares | Common<br>Amount | Preferred<br>Rights | Additional<br>Paid In<br>Capital | Treasury<br>Stock | Other<br>Comprehensive<br>Income | Accumulated<br>Deficit | Deficit Since<br>Reentering<br>the<br>Exploration<br>Stage |
|---|---------------------|---------------------|------------------|------------------|---------------------|----------------------------------|-------------------|----------------------------------|------------------------|--|
| Stockholders' Equity, January 1, 2011   | 1,000               | \$1,000             | 9,763,220        | \$97,632         | \$40,000            | \$31,011,472                     | \$0               | \$405,948                        | \$(6,002,516)          | \$(17,223,300)   |
| Sale of Common Shares                   |                     |                     | 565,148          | 5,652            |                     | 2,220,005                        |                   |                                  |                        |  |
| Issuance of Common Shares for Services  |                     |                     | 274,500          | 2,745            |                     | 1,158,444                        |                   |                                  |                        |  |
| Common Stock Options Issued             |                     |                     |                  |                  |                     | 31,476                           |                   |                                  |                        |  |
| Other Comprehensive Income              |                     |                     |                  |                  |                     |                                  |                   | 169,652                          |                        |  |
| DynaMexico Earn In                      |                     |                     |                  |                  |                     | 3,999,717                        |                   |                                  |                        |  |
| Net Income (Loss)                       |                     |                     |                  |                  |                     |                                  |                   |                                  |                        | (4,269,100)  |
| Stockholders' Equity, December 31, 2011 | 1,000               | \$1,000             | 10,602,868       | \$106,029        | \$40,000            | \$38,421,114                     | \$0               | \$575,600                        | \$(6,002,516)          | \$(21,493,300)   |
| Sale of Common Shares                   |                     |                     | 69,750           | 697              |                     | 406,053                          |                   |                                  |                        |  |
| Common Stock Options Issued             |                     |                     |                  |                  |                     | 217,364                          |                   |                                  |                        |  |
| Other Comprehensive Income              |                     |                     |                  |                  |                     |                                  |                   | (388,899)                        |                        |  |
| Net Income (Loss)                       |                     |                     |                  |                  |                     |                                  |                   |                                  |                        | (448,305)  |



Stockholders'  
Equity, March  
31, 2012

|       |         |            |           |          |              |     |           |               |            |
|-------|---------|------------|-----------|----------|--------------|-----|-----------|---------------|------------|
| 1,000 | \$1,000 | 10,672,618 | \$106,726 | \$40,000 | \$39,044,531 | \$0 | \$186,701 | \$(6,002,516) | \$(21,941, |
|-------|---------|------------|-----------|----------|--------------|-----|-----------|---------------|------------|

The accompanying notes are an integral part of these financial statements.

DYNARESOURCE, INC.  
 (An Exploration Stage Company)  
 Consolidated Statements of Cash Flows  
 For the Three Months Ended March 31, 2012 and 2011  
 And Cumulative Since Re-entering the Development Stage (January 1, 2007)  
 through March 31, 2012

|   | 2012              | 2011                | Cumulative<br>Since<br>Reentering<br>the<br>Development<br>Stage<br>(January 1,<br>2007) through<br>March 31,<br>2012 |
|---|-------------------|---------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                   |                     |   |
| Net Income (Loss)   | \$(670,119 )      | \$(1,634,781 )      | \$(25,941,448 )   |
| Adjustments to reconcile net loss to cash used by operating activities: |                   |                     |   |
| Issuance of Common Stock for Services                                   | 0                 | 93,181              | 2,748,564   |
| Issuance of Common Stock Options  | 217,364           | 0                   | 248,840   |
| Issuance of Preferred Stock for Services                                | 0                 | 0                   | 1,000   |
| Depreciation and Amortization   | 35,234            | 35,232              | 759,175   |
| Loss on Disposition of Assets   | 0                 | 0                   | 28,006  |
| Change in Operating Assets and Liabilities:                             |                   |                     |   |
| Decrease in Accounts Receivable   | 0                 | 0                   | 199,143   |
| (Increase) in Foreign Tax Receivable                                    | (36,519 )         | (160,982 )          | (21,907 )   |
| (Increase) Decrease in Other Current Assets                             | (5,666 )          | (1,527 )            | 115,393   |
| (Increase) in Other Assets  | (22,821 )         | 0                   | (200,999 )  |
| (Decrease) in Accounts Payable  | (36,811 )         | (23,098 )           | (4,949 )  |
| (Decrease) in Accrued Expenses  | (2,697 )          | (10,633 )           | (54,804 )   |
| (Decrease) in Deferred Tax Liability                                    | 0                 | 0                   | (38,259 )   |
| <b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>                        | <b>(522,035 )</b> | <b>(1,702,608 )</b> | <b>(22,162,345 )</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                   |                     |   |
| Purchase of Fixed Assets  | 0                 | (631,767 )          | (1,089,096 )  |
| Retirement of Fixed Assets  | 0                 | 0                   | 20,148  |
| Conversion of Note Receivable to Equity                                 | 0                 | 0                   | 750,000   |
| Investment in Affiliate   | 0                 | 0                   | (70,000 )   |
| Note Receivable to Affiliate  | 0                 | 0                   | (750,000 )  |
| <b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>                        | <b>0</b>          | <b>(631,767 )</b>   | <b>(1,138,948 )</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |                   |                     |   |
| Proceeds from DynaMexico Earn In  | 0                 | 4,000,000           | 17,674,712  |
| Proceeds from Sale of Common Stock                                      | 406,750           | 510,256             | 6,729,701   |
| Repurchase of Common Stock Options                                      | 0                 | 0                   | (10,000 )   |
| Other Comprehensive Income (Loss)                                       | (359,346 )        | (460,435 )          | 185,346   |
| Purchase of Treasury Stock  | 0                 | 0                   | (372,479 )  |

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|  |                    |                    |                     |
|--|--------------------|--------------------|---------------------|
| Sale of Treasury Stock                             | 0                  | 0                  | 472,375             |
| <b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b> | <b>50,404</b>      | <b>4,049,821</b>   | <b>24,679,655</b>   |
| <b>NET INCREASE (DECREASE) IN CASH</b>             | <b>(471,631 )</b>  | <b>1,715,446</b>   | <b>1,378,462</b>    |
| <b>CASH AT BEGINNING OF PERIOD</b>                 | <b>2,670,933</b>   | <b>1,277,065</b>   | <b>820,840</b>      |
| <b>CASH AT END OF PERIOD</b>                       | <b>\$2,199,302</b> | <b>\$2,992,511</b> | <b>\$ 2,199,302</b> |

**SUPPLEMENTAL DISCLOSURES**

|  |           |          |              |
|--|-----------|----------|--------------|
| Non-Cash Issuance of Common Shares for Services    | \$0       | \$93,181 | \$ 2,748,564 |
| Non-Cash Issuance of Preferred Shares for Services | \$0       | \$0      | \$ 1,000     |
| Non-Cash Conversion of Note Receivable to Equity   | \$0       | \$0      | \$ 750,000   |
| Non-Cash Issuance of Stock Options                 | \$217,364 | \$0      | \$ 248,840   |
| Non-Cash Dividend of Property                      | \$0       | \$0      | \$ 129,822   |
| Cash Paid for Interest                             | \$0       | \$0      | \$ 0         |
| Cash Paid for Income Taxes                         | \$0       | \$0      | \$ 0         |

The accompanying notes are an integral part of these financial statements.

DYNARESOURCE, INC.

(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
March 31, 2012

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities, History and Organization:

DynaResource, Inc. (The “Company” or “DynaResource”) was organized September 28, 1937, as a California corporation under the name of West Coast Mines, Inc. In 1998, the Company re-domiciled to Delaware and changed its name to DynaResource, Inc. The Company is in the business of acquiring, investing in, and developing precious metal properties, and the production of precious metals.

In 2000, the Company formed a wholly owned subsidiary, DynaResource de Mexico S.A. de C.V. chartered in Mexico (“DynaMexico”). This Company was formed to acquire, invest in and develop resource properties in Mexico. In 2005, the Company formed DynaResource Operaciones de San Jose De Gracia S.A. de C.V. (“DynaOperaciones”), and acquired effective control of Mineras de DynaResource, S.A de C.V. (formerly Minera Finesterre S.A. De C.V.), (“MinerasDyna”). The Company owned 25% of MinerasDyna and acquired effective control of MinerasDyna by acquiring the option to purchase the remaining 75% of the Shares of MinerasDyna. The Company finalized the option and acquisition of MinerasDyna in January 2010, and now owns 100% of MinerasDyna. The results of MinerasDyna are consolidated with those of the Company.

In January 2008, DynaMexico issued 15% of its outstanding common shares to Goldgroup Resources Inc. (“Goldgroup”), in exchange for \$3,000,000 USD cash contribution for exploration expenditures at the San Jose de Gracia property (“SJG”), and in August 2008, DynaMexico issued an additional 10% of its outstanding common shares to Goldgroup in exchange for an additional \$3,000,000 USD cash for exploration expenditures, and in March 2011, DynaMexico issued an additional 25% of its outstanding common shares to Goldgroup in exchange for an additional \$12,000,000 USD cash for exploration expenditures (See Note 6 below). Through December 31, 2011 and March 31, 2012, Goldgroup has contributed \$18,000,000 USD to DynaMexico, and it currently owns 50% of the outstanding common shares of DynaMexico.

The Company produced approximately \$7,637,150 in revenues from production activities conducted during the years ended December 31, 2003 through 2006, and suspended this activity voluntarily to concentrate its efforts on exploration and development. In accordance with that decision, as of January 1, 2007, the Company reentered the Exploration Stage and has presented its cumulative results since reentering the Exploration Stage, in accordance with Accounting Standards Codification (“ASC”) 915 “Development Stage Entities”, and will continue this presentation until it again has revenues from operations.

The Company chose to become a voluntary reporting issuer in Canada in order to avail itself of Canadian regulations regarding reporting for mining properties, more specifically, National Instrument 43-101 (NI 43-101). This regulation sets forth standards for reporting resources in a mineral property and is a standard recognized in the mining industry.

### Significant Accounting Policies:

The Company’s management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and expense. The accounting policies used conform to generally accepted accounting principles which have been consistently applied in the preparation of these financial statements.

The financial statements and notes are representations of the Company's management which is responsible for their integrity and objectivity. Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented.

**Basis of Presentation:**

The Company prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

**Principles of Consolidation:**

The financial statements include the accounts of DynaResource, Inc. as well as DynaResource de Mexico, S.A. de C.V., DynaResource Operaciones S.A. de C.V. and Mineras de DynaResource S.A. de C.V. All significant inter-company transactions have been eliminated. All amounts are presented in U.S. Dollars unless otherwise stated.

**Foreign Currency Translation:**

The functional currency for the subsidiaries of the Company is the Mexican peso. As a result, the financial statements of the subsidiary have been re-measured from Mexican pesos into U.S. dollars using (i) current exchange rates for monetary asset and liability accounts, (ii) historical exchange rates for nonmonetary asset and liability accounts, (iii) historical exchange rates for revenues and expenses associated with nonmonetary assets and liabilities and (iv) the weighted average exchange rate of the reporting period for all other revenues and expenses. In addition, foreign currency transaction gains and losses resulting from U.S. dollar denominated transactions are eliminated. The resulting re-measured gain or loss is reported as a separate component of stockholders' equity (comprehensive income (loss)).

The financial statements of the subsidiary should not be construed as representations that Mexican pesos have been, could have been or may in the future be converted into U.S. dollars at such rates or any other rates.

Relevant exchange rates used in the preparation of the financial statements for the subsidiary are as follows for the periods ended March 31, 2012 and December 31, 2011 (Mexican pesos per one U.S. dollar):

|   |       | March 31, 2012    |
|---|-------|-------------------|
| Current exchange rate:                                | Pesos | 12.78             |
| Weighted average exchange rate for the quarter ended: | Pesos | 12.98             |
|   |       | December 31, 2011 |
| Current exchange rate:                                | Pesos | 13.97             |
| Weighted average exchange rate for the year ended:    | Pesos | 12.42             |

**Cash and Cash Equivalents:**

The Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. At March 31, 2012, the Company had a balance of \$1,238,200 that was in excess of the FDIC insurance limit and \$515,978 which is currently insured in full under the FDIC's temporary unlimited coverage on non-interest bearing transactions accounts, which expires on December 31, 2012. The carrying amount approximates fair market value.

Accounts Receivable and Allowances for Doubtful Accounts:

The allowance for accounts receivable is recorded when receivables are considered to be doubtful of collection. No allowance has been established as all receivables were deemed to be fully collectable.

Foreign Tax Receivable:

Foreign Tax Receivable (IVA) is comprised of recoverable value-added taxes charged by the Mexican government on goods and services rendered. Under certain circumstances, these taxes are recoverable by filing a tax return. Amounts paid for IVA are tracked and held as receivables until the funds are remitted. The total amount of the IVA receivable as of March 31, 2012 and December 31, 2011 are \$71,112 and \$34,593, respectively.

Inventory:

As the Company ceased mining production in 2006, there is no inventory as of March 31, 2012 and December 31, 2011.

Fixed Assets:

Fixed assets are carried at cost. Depreciation is provided over each asset's estimated useful life. Upon retirement and disposal, the asset cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the determination of the net income. Expenditures for geological and engineering studies, maintenance and claim renewals are charged to expense when incurred. Additions and significant improvements are capitalized and depreciated.

Mining Properties:

The Company is an 'Exploration Stage' company as defined in "SEC Industry Guide 7". Mining properties consist of 33 mining concessions covering approximately 69,121 hectares, at the San Jose de Gracia property, the basis of which are deferred until the properties are brought into production, at which time they will be amortized on the unit of production method based on estimated recoverable reserves. The Company has elected to expense a minimal amount of amortization due to the effects of exploration activities on the recoverable reserves. If it is determined that the deferred costs related to a property are not recoverable over its productive life, those costs will be written down to fair value as a charge to operations in the period in which the determination is made. The amounts at which mineral properties and the related deferred costs are recorded do not necessarily reflect present or future values.

The recoverability of the book value of each property will be assessed annually for indicators of impairment such as adverse changes to any of the following:

- estimated recoverable ounces of gold, silver or other precious minerals;
- estimated future commodity prices;
- estimated expected future operating costs, capital expenditures and reclamation expenditures.

A write-down to fair value will be recorded when the expected future cash flow is less than the net book value of the property or when events or changes in the property indicate that carrying amounts are not recoverable. This analysis will be completed as needed, and at least annually. As of the date of this filing, no events have occurred that would require write-down of any assets. As of March 31, 2012, no indications of impairment existed.

Exploration Costs:

Exploration costs not directly associated with proven reserves on the mining concessions are charged to operations as incurred. Exploration, development, direct field costs and administrative costs are expensed in the period incurred.

The carrying amounts of the mining concessions are reviewed at each calendar year end to determine whether there is any indication of impairment or at other times if indications of impairment exist.

As of March 31, 2012, no indications of impairment existed.



Advertising Costs:

The Company incurred no advertising costs for the three months ended March 31, 2012 and 2011.

Income Taxes:

Income from the corporation is taxed at regular corporate rates per the Internal Revenue Code. Although the Company has tax loss carry-forwards (see Note 5), there is uncertainty as to utilization prior to their expiration. Accordingly, the future income tax asset amounts have been fully offset by a valuation allowance.

Use of Estimates:

In order to prepare financial statement in conformity with accounting principles generally accepted in the United States, management must make estimates, judgments and assumptions that affect the amounts reported in the financial statements and determines whether contingent assets and liabilities, if any, are disclosed in the financial statements. The ultimate resolution of issues requiring these estimates and assumptions could differ significantly from resolution currently anticipated by management and on which the financial statements are based.

Comprehensive Income:

ASC 220 "Comprehensive Income" establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The Company's comprehensive income consists of net income and other comprehensive income (loss), consisting of unrealized net gains and losses on the translation of the assets and liabilities of its foreign operations. For the periods ended March 31, 2012 and December 31, 2011, the Company's components of comprehensive income were foreign currency translation adjustments and unrealized losses on securities held for sale.

Revenue Recognition:

The Company recognizes revenue in accordance with ASC 605-10, "Revenue Recognition in Financial Statements",. Revenue is recognized when persuasive evidence of an arrangement exists, delivery or service has occurred, the sale price is fixed or determinable and receipt of payment is probable.

Revenues earned from the sale of precious metal concentrates are recognized as the title to the material is passed to the buyer upon delivery.

Earnings per Common Share:

Earnings (loss) per share are calculated in accordance with ASC 260 "Earnings per Share". The weighted average number of common shares outstanding during each period is used to compute basic earnings (loss) per share. Diluted earnings per share are computed using the weighted average number of shares and potentially dilutive common shares outstanding. Dilutive potential common shares are additional common shares assumed to be exercised. Potentially dilutive common shares consist of stock options and are excluded from the diluted earnings per share computation in periods where the Company has incurred a net loss, as their effect would be considered anti-dilutive.

There were no potentially dilutive common stock equivalents as of March 31, 2012, therefore basic earnings per share equals diluted earnings per share for the year ended March 31, 2012. The Company had 215,250 options outstanding at March 31, 2012. As the Company incurred a net loss during the year ended March 31, 2012, the basic and diluted loss per common share is the same amount, as any common stock equivalents would be considered anti-dilutive.

As the Company incurred a net loss during the three months ended March 31, 2011, the basic and diluted loss per common share is the same amount. As of March 31, 2011, the Company had zero stock options outstanding that could potentially have a dilutive effect on basic earnings per share in the future.

## Recently Issued Accounting Pronouncements:

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow. See Note 12 for a discussion of new accounting pronouncements.

## Reclassifications:

Certain prior year balances have been reclassified to conform to current year presentation.

## NOTE 2 – FIXED ASSETS

Fixed assets consist of the following at March 31, 2012 and December 31, 2011:

|                                    | 2012         | 2011         |
|------------------------------------|--------------|--------------|
| Mining camp equipment and fixtures | \$ 1,224,540 | \$ 1,224,540 |
| Transportation equipment           | 268,253      | 268,253      |
| Lab equipment                      | 14,306       | 14,306       |
| Machinery and equipment            | 43,187       | 43,187       |
| Office furniture and fixtures      | 76,895       | 76,895       |
| Office equipment                   | 11,673       | 11,673       |
| Computer equipment                 | 33,976       | 33,976       |
| Sub-total                          | 1,672,830    | 1,672,830    |
| Less: Accumulated depreciation     | (728,426)    | (705,511)    |
| Total                              | \$ 944,404   | \$ 967,319   |

Depreciation has been provided over each asset's estimated useful life. Depreciation expense was \$22,915 and \$20,232 for the three months ended March 31, 2012 and 2011, respectively. The Company acquired a tractor during 2011 that was not in service as of March 31, 2012, and therefore, has not yet been depreciated.

## NOTE 3 – MINING PROPERTIES

Mining properties consist of the following at March 31, 2012 and December 31, 2011:

|                                | 2012         | 2011         |
|--------------------------------|--------------|--------------|
| San Jose de Gracia (“SJG”):    |              |              |
| Mining Concessions             | \$ 4,703,367 | \$ 4,703,367 |
| Less: Accumulated Amortization | (497,161)    | (484,842)    |
| Total Mining Properties        | \$ 4,206,206 | \$ 4,218,525 |

Amortization expense was \$12,319 and \$15,000 for the three months ended March 31, 2012 and 2011, respectively.

## NOTE 4 – INVESTMENT IN AFFILIATE

Through March 31, 2012 the Company loaned a total of \$805,760 USD to DynaResource Nevada, Inc. (“DynaNevada”), a Nevada Corporation, which maintains one operating subsidiary in Mexico, DynaNevada de Mexico, SA de CV. (“DynaNevada de Mexico”). The terms of the Note Receivable provided for a “Convertible Loan”, repayable at 5% interest over a 3 year period, and convertible at the Company’s option into common stock of DynaNevada at \$.25 / Share. DynaNevada is a related entity (affiliate), and through its subsidiary DynaNevada de Mexico, has entered into an Option agreement with Grupo Mexico (IMMSA) in Mexico, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi (“The Santa Gertrudis Property”). DynaNevada de Mexico completed the Option with IMMSA in March 2010, so that DynaNevada de Mexico now owns 100% of the Santa Gertrudis Property. In June, 2010, DynaNevada de Mexico acquired an additional 6,000 hectares in the State of Sinaloa (the “San Juan Property”).

On December 31, 2010, the Company exercised its option to convert the note receivable and other receivable from DynaNevada into shares of common stock at a rate of \$.25 per share. The Company received 3,223,040 shares, which represents approximately 19.95% of the outstanding shares of DynaNevada. At the time of the exchange, DynaNevada’s net book value was approximately \$695,000, consisting of \$30,000 cash and the remainder unproven mining properties. DynaNevada has a contingent liability arising from the purchase of one of the mining properties, which Management believes has no merit. Based upon the above, Management estimated the value of the Company’s DynaNevada shares as of March 31, 2012 and December 31, 2011 to be \$70,000. Management believes the impairment is temporary, and therefore an unrealized loss of \$735,760 has been recorded in other comprehensive income.

## NOTE 5 – INCOME TAXES

The Company has adopted ASC 740-10, “Income Taxes”, which requires the use of the liability method in the computation of income tax expense and the current and deferred income taxes payable (deferred tax liability) or benefit (deferred tax asset). Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The cumulative tax effect at the expected tax rate of 34% (blended for U.S. and Mexico) of significant items comprising the Company’s net deferred tax amounts as of March 31, 2012 and December 31, 2011 are as follows:

Deferred Tax Asset Related to:

| 2012 | 2011 |
|------|------|
|------|------|

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|                              |             |             |
|------------------------------|-------------|-------------|
| Prior Year                   | \$7,008,203 | 5,004,276   |
| Tax Benefit for Current Year | 227,840     | 2,003,927   |
| Total Deferred Tax Asset     | 7,236,043   | 7,008,203   |
| Less: Valuation Allowance    | (7,236,043) | (7,008,203) |
| Net Deferred Tax Asset       | \$0         | \$0         |

12

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The net deferred tax asset and benefit for the current year is generated primarily from the cumulative net operating loss carry-forward which is approximately \$28,500,000 at March 31, 2012, and will expire in the years 2025 through 2031.

The realization of deferred tax benefits is contingent upon future earnings and is fully reserved at March 31, 2012.

#### NOTE 6 – MATERIAL AGREEMENTS

##### Financing/Sale of Stock of Subsidiary:

On September 1, 2006 the Company and DynaMexico signed a “Stock Purchase and Earn In Agreement” (“Earn In”) between DynaResource and DynaMexico, (“Seller”) and Goldgroup Mining, Inc. (formerly Goldgroup Resources, Inc.), of Vancouver, British Columbia (“Goldgroup”), (“Buyer”), and Together, (“the Parties”).

The Earn In provided for Goldgroup to contribute \$18,000,000 on or before March 15, 2011 in exchange for fifty per cent (50%) of the total outstanding common shares of DynaMexico, the 100 % owner of the San Jose de Gracia Project in northern Sinaloa Mexico (“SJG”). The remaining balance of the \$18,000,000 to be contributed was completed on March 14, 2011 and Goldgroup now owns 50% of the outstanding common shares of DynaMexico.

#### NOTE 7 – RELATED PARTY TRANSACTIONS

The Company paid \$0 and \$12,500 to Dynacap Group, Ltd. (an entity controlled by officers of the Company) for consulting and other fees in the three months ended March 31, 2012 and 2011, respectively.

In addition, the Company has issued its stock to the following directors and consultants for the periods ended March 31, 2012 and December 31, 2011, respectively:

|             | 2011 | 2010         |
|-------------|------|--------------|
| Directors   | \$ 0 | \$ 85,500    |
| Consultants | \$ 0 | \$ 1,075,689 |
| Totals      | \$ 0 | \$ 1,161,189 |

The above stock transactions were expensed as compensation in the financial statements.

#### NOTE 8 – STOCKHOLDERS’ EQUITY

##### Preferred Stock:

The Company is authorized to issue 10,000 shares of its Series A Preferred Stock, having a par value of \$1.00 per share. Holders of the Series A Preferred Stock have the right to elect a majority of the Board of Directors of the Company. In October 2007, the Company issued 1,000 shares of Series A Preferred Stock to its CEO. An aggregate of 1,000 shares of Series A Preferred Stock were outstanding at March 31, 2012 and December 31, 2011, respectively.

Common Stock:

The Company is authorized to issue 25,000,000 common shares at a par value of \$0.01 per share. These shares have full voting rights. At March 31, 2012 and December 31, 2011, there were 10,672,618 and 10,602,868 shares outstanding, respectively. No dividends were paid in 2012 or 2011.

Preferred Rights:

The Company issued "Preferred Rights" and received \$158,500 in 2003 and \$626,000 in 2002, for the rights to percentages of revenues generated from the San Jose de Gracia Pilot Production Plant. This has been reflected as "Preferred Rights" in stockholders' equity. As of December 31, 2004, \$558,312 was repaid and as of December 31, 2005, an additional \$186,188 has been repaid, leaving a current balance of \$40,000 and \$40,000 as of March 31, 2012 and December 31, 2011, respectively.

Stock Issuances:

During the three months ended March 31, 2012, the Company issued 69,750 common shares for cash.

During 2011, the Company issued 565,148 common shares for cash.

During 2011, the Company also issued 274,500 shares for \$1,161,189 of consulting services. Included in this amount was 20,000 shares issued to directors for \$85,500 in services.

Treasury Stock:

Treasury stock is accounted for by the cost method.

Options and Warrants:

The Company had 215,250 options or warrants outstanding at March 31, 2012.

During the three months ended March 31, 2012, 190,250 options were issued, none were exercised and none expired. The Company recorded expense related to the issuance of these options in accordance with the Black Scholes option pricing model.

During 2011, 25,000 options were issued, none were exercised and none expired. The Company recorded expense related to the issuance of these options in accordance with the Black Scholes option pricing model.

NOTE 9 – EMPLOYEE BENEFIT PLANS

During the periods ended March 31, 2012 and December 31, 2011, there were no qualified or non-qualified employee pension, profit sharing, stock option, or other plans authorized for any class of employees.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Company is required to pay taxes in order to maintain their concessions. Additionally, the Company is required to incur a minimum amount of expenditures each year for all concessions held. The minimum expenditures are calculated based upon the land area, as well as the age of the concessions. Amounts spent in excess of the minimum may be carried forward indefinitely over the life of the concessions, and are adjusted annually for inflation. Based on Management's business plans, they do not anticipate any issues in meeting the minimum annual expenditures for the concessions, and the Company retains sufficient carry forward amounts to cover over 20 years of the minimum expenditure (as calculated at the 2010 minimum, adjusted for annual inflation of 4%).

In September 2008, the Company entered into a 37 month lease agreement for its corporate office. In August, 2011 the Company entered into a one year extension of the lease through August 31, 2012. In The Company paid rent expense of \$11,520 and \$12,776 related to this lease for the three months ended March 31, 2012 and 2011.

The following is a schedule of minimum lease payments required under the existing lease as of March 31, 2012:

| Year Ended December 31: | Amount           |
|-------------------------|------------------|
| 2012                    | \$ 19,200        |
| 2013 and beyond         | 0                |
| <b>Total</b>            | <b>\$ 19,200</b> |

## NOTE 11 – NON-CONTROLLING INTEREST

The Company's Non-controlling Interest recorded in the consolidated financial statements relates to a 50% interest in DynaResource de México, S.A. de C.V. Changes in Non-controlling Interest for the three months ended March 31, 2012 and the year ended December 31, 2011 were as follows:

|                                   | Three Months<br>Ended<br>March 31,<br>2012 | Year ended<br>Dec 31, 2011 |
|-----------------------------------|--|----------------------------|
| Beginning balance                 | \$ (3,588,806)                             | \$ (1,923,300)             |
| Operating income (loss)           | (221,814)                                  | (1,624,783)                |
| Other comprehensive income (loss) | 32,553                                     | (40,723)                   |
| Ending balance                    | \$ (3,778,067)                             | \$ (3,588,806)             |

The Company began allocating a portion of other comprehensive income (loss) to the non-controlling interest with the adoption of FASB 160 as of January 1, 2009.



#### NOTE 12 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-05, “Comprehensive Income – Presentation of Comprehensive Income.” ASU No. 2011-05 eliminated the option to present the components of other comprehensive income as part of the statement of stockholders’ equity. It requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December, 2011, the FASB issued ASU 2011-12, “Comprehensive Income – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05” to defer the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. All other provisions of this update, which are to be applied retrospectively, are effective for fiscal years, and interim periods within those years, beginning December 15, 2011, The Company is currently evaluating the impact that the adoption will have on their consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, “Balance Sheet – Disclosures about Offsetting Assets and Liabilities.” ASU 2011-11 requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments and will be applied retrospectively for all comparative periods presented. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact that the adoption will have on their consolidated financial statements.

#### NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, the guidance for fair value measurements and disclosure was updated to define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This guidance does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. The provisions of the updated guidance were adopted January 1, 2008. In February 2008, the FASB staff issued an update to the guidance which delayed the effective date for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company adopted the updated guidance for the Company’s nonfinancial assets and liabilities measured at fair value on a nonrecurring basis on January 1, 2009. The adoption of updated guidance did not have a material impact on the Company’s financial position, results of operations or cash flows.

In October 2008, the guidance was further updated to provide guidance on how the fair value of a financial asset is to be determined when the market for that financial asset is inactive. The guidance states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and, in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. The guidance was effective upon issuance. The Company has incorporated the principles of updated guidance in determining the fair value of financial assets when the market for those assets is not active.

In April 2009, the guidance was further updated to provide additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying circumstances that indicate when a transaction is not orderly. The provisions of this updated guidance were adopted April 1, 2009. The adoption of the guidance did not have an impact on the Company’s fair value measurements.

The ASC guidance for fair value measurements and disclosure establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs – Quoted prices for identical instruments in active markets.

Level 2 Inputs – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs – Instruments with primarily unobservable value drivers.

As of March 31, 2012 and December 31, 2011, the Company's financial assets are measured at fair value using Level 3 inputs, with the exception of cash, which was valued using Level 1 inputs. There were no financial liabilities as of March 31, 2012.

Fair Value Measurement at March 31, 2012 Using:

|                           | December<br>31, 2011 | Quoted<br>Prices In<br>Active<br>Markets<br>For<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---------------------------|----------------------|---|---|--|
| Assets:                   |                      |   |   |  |
| Cash and Cash Equivalents | \$2,199,302          | \$2,199,302   | \$-   | \$ -   |
| Investment in Affiliate   | 70,000               | -   | -   | 70,000   |
|                           | \$2,269,302          | \$2,199,302   | \$-   | \$ 70,000  |

Fair Value Measurement at December 31, 2011 Using:

|                           | December 31,<br>2010 | Quoted Prices<br>In Active<br>Markets<br>For Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---------------------------|----------------------|---|---|--|
| Assets:                   |                      |   |   |  |
| Cash and Cash Equivalents | \$ 2,670,933         | \$ 2,670,933  | \$ -  | \$ -   |
| Investment in Affiliate   | 70,000               | \$ -  | \$ -  | \$ 70,000  |
|                           | \$ 2,740,933         | \$ 2,670,933  | \$ -  | \$ 70,000  |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in the Company's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.

### General

#### FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to in this annual report as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to in this annual report as the Exchange Act. Forward-looking statements are not statements of historical fact but rather reflect our current expectations, estimates and predictions about future results and events. These statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. These forward-looking statements are subject to risks, uncertainties and assumptions, including but not limited to, risks, uncertainties and assumptions discussed in this annual report. Factors that can cause or contribute to these differences include those described under the headings "Risk Factors" and "Management Discussion and Analysis and Plan of Operation."

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statement you read in this annual report reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this annual report. The Company expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any change in its views or expectations. The Company can give no assurances that such forward-looking statements will prove to be correct.

#### IMPORTANT NOTE REGARDING CANADIAN DISCLOSURE STANDARDS

The Company is an "OTC Reporting Issuer" as that term is defined in BC Instrument 51-509, Issuers Quoted in the U.S. Over-the-Counter Markets, promulgated by the British Columbia Securities Commission. Accordingly, certain disclosure in this annual report has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC") applicable to registration statements and reports filed by United States companies pursuant to the Securities Act or the Exchange Act. As such, information contained in this annual report concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC and not subject to Canadian securities legislation. This annual report may use the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". While these terms are recognized and required

by Canadian securities legislation (under National Instrument 43-101, Standards of Disclosure for Mineral Projects), the SEC does not recognize them. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted to reserves. In addition, “inferred mineral resources” have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of a measured mineral resource, indicated mineral resource or inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities legislation, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, although they may form, in certain circumstances, the basis of a “preliminary economic assessment” as that term is defined in National Instrument 43-101, Standards of Disclosure for Mineral Projects. U.S. investors are cautioned not to assume that any part or all of any reported measured mineral resources, indicated mineral resources, or inferred mineral resources referred to herein or in the Technical Report are economically or legally mineable.

## Company

DynaResource, Inc., the Company described herein, is a Delaware corporation, with offices located at 222 W. Las Colinas Blvd., Suite 744 East Tower, Irving, Texas 75039. It can be reached by phone at (972) 868-9066 and by fax at (972) 868-9067.

## History

The Company was incorporated in the State of California on September 28, 1937, under the name West Coast Mines, Inc. In November 1998, the Company re-domiciled from California to Delaware and changed its name to DynaResource, Inc. The Company is in the business of acquiring, investing in, and developing precious metal properties, and the production of precious metals.

Through its 50% owned Mexican subsidiary, DynaResource de México, S.A. de C.V. (“DynaMéxico”), the Company owns a portfolio of mining concessions that currently includes its interests in the San José de Gracia (SJG) Project in Sinaloa State, in northern Mexico. The SJG District covers 69,121 hectares (170,802 acres) on the west side of the Sierra Madre Mountains.

DynaResource owns a 50% common stock interest in DynaMéxico, and the remaining 50% common stock interest is held by Goldgroup Mining Inc. A wholly owned subsidiary of the Company, Mineras de DynaResource S.A. de C.V. (“MinerasDyna”), entered into an operating agreement with DynaMéxico on April 15, 2005 and, as a consequence of that agreement, is the named exclusive operating entity for the SJG Project.

In 2005, the Company formed another wholly owned subsidiary, DynaResource Operaciones, SA de C.V. (“DynaOperaciones”). DynaOperaciones entered into a personnel management agreement with MinerasDyna and, as a consequence of that agreement, is the exclusive manager of personnel for the SJG Project.

## Licenses and Concessions

The SJG District is comprised of 33 mining concessions covering 69,121 hectares (171,802 acres) and is located within the Sierra Madre gold-silver belt, where the majority of hydrothermal deposits in Mexico are located. The Company’s concessions, all of which are formally held by DynaMéxico, are granted by the Mexican government, or acquired from previous owners. The Company’s concessions are comprised of a combination of exploration concessions and development concessions, are filed in the Public Registry of Mining, and are scheduled to expire from 2028 through 2058. The concessions can be renewed prior to the expiry dates. The table below contains a listing of the mineral concessions currently held by DynaMéxico.

DynaMexico plans to apply for certain operating licenses and additional permits as part of its pre-production activities for the San Jose de Gracia property. The licenses and permits would be issued by the host government, whether state or federal.

## Current Mining Concessions - San José de Gracia

| Claim Name             | Claim Number | Staking date | Expiry     | Hectares  | Taxes / ha (pesos) |
|------------------------|--------------|--------------|------------|-----------|--------------------|
| AMPL. SAN NICOLAS      | 183815       | 22/11/1988   | 21/11/2038 | 17.4234   | 111.27             |
| AMPL. SANTA ROSA       | 163592       | 30/10/1978   | 29/10/2028 | 25.0000   | 111.27             |
| BUENA VISTA            | 211087       | 31/03/2000   | 30/03/2050 | 17.9829   | 63.22              |
| EL CASTILLO            | 214519       | 02/10/2001   | 01/10/2051 | 100.0000  | 31.62              |
| EL REAL                | 212571       | 07/11/2000   | 06/11/2050 | 2037.9479 | 63.22              |
| EL REAL 2              | 216301       | 30/04/2002   | 29/04/2052 | 280.1555  | 31.62              |
| FINISTERRE FRACC. A    | 219001       | 28/01/2003   | 27/01/2053 | 18.7856   | 31.62              |
| FINISTERRE FRACC. B    | 219002       | 28/01/2003   | 27/01/2053 | 174.2004  | 31.62              |
| GUADALUPE              | 189470       | 05/12/1990   | 04/12/2040 | 7.0000    | 111.27             |
| LA GRACIA I            | 215958       | 02/04/2002   | 01/04/2052 | 300.0000  | 31.62              |
| LA GRACIA II           | 215959       | 02/04/2002   | 01/04/2052 | 230.0000  | 31.62              |
| LA LIBERTAD            | 172433       | 15/12/1983   | 14/12/2033 | 97.0000   | 111.27             |
| LA NUEVA AURORA        | 215119       | 08/02/2002   | 07/02/2052 | 89.3021   | 31.62              |
| LA NUEVA ESPERANZA     | 226289       | 06/12/2005   | 05/12/2055 | 40.0000   | 7.6                |
| LA UNION               | 176214       | 26/08/1985   | 25/08/2035 | 4.1098    | 111.27             |
| LOS TRES AMIGOS        | 172216       | 27/10/1983   | 26/10/2033 | 23.0000   | 111.27             |
| MINA GRANDE            | 163578       | 10/10/1978   | 09/10/2028 | 6.6588    | 111.27             |
| NUEVO ROSARIO          | 184999       | 13/12/1989   | 12/12/2039 | 32.8781   | 111.27             |
| PIEDRAS DE LUMBRE 2    | 215556       | 05/03/2002   | 04/03/2052 | 34.8493   | 31.62              |
| PIEDRAS DE LUMBRE 3    | 218992       | 28/01/2003   | 27/01/2053 | 4.3098    | 31.62              |
| PIEDRAS DE LUMBRE No.4 | 212349       | 29/09/2000   | 28/09/2050 | 0.2034    | 63.22              |
| PIEDRAS DE LUMBRE UNO  | 215555       | 05/03/2002   | 04/03/2052 | 40.2754   | 31.62              |
| SAN ANDRES             | 212143       | 31/08/2000   | 30/08/2050 | 385.0990  | 63.22              |
| SAN JOSÉ               | 208537       | 24/11/1998   | 23/11/2048 | 27.0000   | 111.27             |
| SAN MIGUEL             | 183504       | 26/10/1988   | 25/10/2038 | 7.0000    | 111.27             |
| SAN NICOLAS            | 163913       | 14/12/1978   | 13/12/2028 | 55.5490   | 111.27             |
| SAN SEBASTIAN          | 184473       | 08/11/1989   | 07/11/2039 | 40.0000   | 111.27             |
| SANTA MARIA            | 218769       | 17/01/2003   | 16/01/2053 | 4.2030    | 31.62              |
| SANTA ROSA             | 170557       | 13/05/1982   | 12/05/2032 | 31.4887   | 111.27             |
| SANTO TOMAS            | 187348       | 13/08/1986   | 12/08/2036 | 312.0000  | 111.27             |
| TRES AMIGOS 2          | 212142       | 31/08/2000   | 30/08/2050 | 54.4672   | 63.22              |

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|                  |        |            |            |             |      |
|------------------|--------|------------|------------|-------------|------|
| FINISTERRE 4     | 231166 | 18/01/2008 | 17/01/2058 | 2142.1302   | 5.08 |
| FRANCISCO ARTURO | 230494 | 06/09/2007 | 27/03/2057 | 62481.3815  | 5.08 |
| TOTAL            |        |            |            | 69,121.4010 |      |

The San Jose de Gracia mining property surrounds the area of San Jose de Gracia, Sinaloa State, Mexico. San Jose de Gracia is located on the west side of the Sierra Madre Mountains in the Sierra Madre Gold-Silver Belt, approximately 100 kilometers inland from Los Mochis, Sinaloa Mexico and approximately 200 kilometers north of Mazatlan, Sinaloa.



## Historical Production

SJG reports 1,000,000 Oz. gold historical production from a series of underground workings. 471,000 Oz. Au is reported produced at the La Purisima area of SJG, at an average grade of 66.7 g/t; and 215,000 Oz. Au is reported produced from the La Prieta area, at an average grade of 27.6 g/t. Mineralization at SJG has been traced on surface and underground over a 15 square kilometer area.

## 1997-1998 Drilling – Exploration Programs

A drill program was conducted at SJG in 1997 - 1998 by a prior majority owner. Approximately 6,172 meters drilling was completed in 63 core drill holes. Significant intercepts, including bonanza grades, outlined the down dip potential of the Northeast section (150 Meter NE to SW extent of the Drilling) of the Los Hilos to Tres Amigos Trend of SJG. Surface and underground sampling in 1999 - 2000 confirmed high grades in historic workings and surface exposures throughout the project area. These high grades outline the presence of ore shoots developed within the veins. The ore shoots appear to be controlled by dilational jogs and/or vein intersections. A total of 544 samples were collected in 1999-2000, and assayed an average 6.51 grams/ton gold.

## Pilot Production Activities

DynaMexico, conducting activities through its operating sister companies MinerasDyna and DynaOperaciones, mined high-grade veins at the San Pablo area of SJG from mid 2003 to June 2006. 18,250 Oz. gold was produced and sold from mill feed tonnage of 42,000 tons, at an average grade of approximately 15-20 g/t. Production costs were reported at approx. < \$ 175. / Oz. Au in this small scale, pilot production operation.

|                                    |             |
|------------------------------------|-------------|
| Mined Tonnage                      | 42,500 tons |
| Production (Oz Au)                 | 18,250 Oz   |
| Average Grade                      | 15-20 g/t   |
| Recovery Efficiency (Plant)        | 85%         |
| Recovery in Concentrate (Sales)    | 90%         |
| Production Cost (Average, 4 Years) | \$175 / Oz  |

The small scale mining and production activities at SJG consisted of improvements to an existing mill, including the installation of a gravity / flotation processing circuit, and initial test runs with tailings were completed in 2002. Actual mining at the higher grade San Pablo area of the property commenced in March 2003.

## Suspension of Production Activities

The Company initiated the test production activity in 2003 at the time gold prices were depressed, and when exploration funding opportunities, while available, were deemed to be too dilutive by Company management. While the test production was considered successful (see results in the table above), a small scale production activity was not expected to provide the necessary capital in order to explore a project the size of SJG.

The earlier, limited-scope production activity has provided significant benefits in terms of confirming production grades, metallurgy and process, efficiency of recoveries, and production costs – all of which is valuable for larger scale production plans.

## Earn In / Option Agreement – Financing of Drilling – Exploration Programs

As gold prices continued to appreciate into 2006, exploration financing opportunities increased and the Company negotiated and entered into an Earn In / Option Agreement with Goldgroup Mining Inc., dated September 1, 2006. The terms of the Earn In / Option Agreement provided for Goldgroup to furnish \$18,000,000 USD financing to DynaMexico for exploration expenditures at SJG, in exchange for a 50% share interest in DynaMexico.

## National Instrument 43-101 (“NI 43-101”) Mineral Resource Estimate

The Company received from DynaMexico on February 14, 2012 a National Instrument 43-101 (“NI 43-101”) Mineral Resource Estimate for San Jose de Gracia. The NI 43-101 Mineral Resource Estimate was prepared by Mr. Robert Sandefur, BS, MSc, P.E., a Qualified Person as defined under NI 43-101, and a senior reserve analyst for Chlumsky, Armbrust & Meyer LLC, Lakewood, CO (“CAM”). The Mineral Resource Estimate concentrates on four separate vein systems at SJG: Tres Amigos, San Pablo, La Union, and La Purisima. The Mineral Resource Estimate includes Indicated Resources at: (1) Tres Amigos of 893,000 tonnes with an average grade of 4.46 g/t, totaling 128,000 Oz. Au; and, (2) San Pablo of 1,308,000 tonnes with an average grade of 6.52 g/t, totaling 274,000 Oz. Au. The estimate also includes an Inferred Resource of 3,953,000 tonnes in aggregate for the four vein systems, with an average grade of 5.83 g/t, totaling 741,000 Oz. Au. The resource estimate is reported using a 2.0 g/t cut off, with the effective date of February 6, 2012 (the 2012 “DynaMexico-CAM SJG Mineral Resource Estimate”).

## Mineral Resource and Classification for San Jose de Gracia Project

| Cutoff         | ORE       |        |        | GRADE |       | TRES AMIGOS VEIN |         |         |           |         |           |
|----------------|-----------|--------|--------|-------|-------|------------------|---------|---------|-----------|---------|-----------|
|                | tonnes    | Au g/t | Ag g/t | Cu%   | Pb%   | Zn%              | Au oz   | Ag oz   | CONTAINED |         |           |
|                |           |        |        |       |       |                  |         |         | Cu Kgs.   | Pb Kgs. | Zn Kgs.   |
| INDICATED      |           |        |        |       |       |                  |         |         |           |         |           |
| 0.00           | 1,166,000 | 3.747  | 9.0    | 0.186 | 0.050 | 0.327            | 140,000 | 337,000 | 2,165,000 | 578,000 | 3,815,000 |
| 0.50           | 1,166,000 | 3.747  | 9.0    | 0.186 | 0.050 | 0.327            | 140,000 | 337,000 | 2,165,000 | 578,000 | 3,815,000 |
| 1.00           | 1,128,000 | 3.845  | 9.2    | 0.189 | 0.051 | 0.334            | 139,000 | 333,000 | 2,137,000 | 570,000 | 3,774,000 |
| 1.50           | 1,019,000 | 4.124  | 9.7    | 0.200 | 0.053 | 0.351            | 135,000 | 319,000 | 2,038,000 | 537,000 | 3,572,000 |
| 2.00           | 893,000   | 4.458  | 10.3   | 0.210 | 0.056 | 0.367            | 128,000 | 297,000 | 1,875,000 | 499,000 | 3,276,000 |
| 2.50           | 758,000   | 4.853  | 10.8   | 0.218 | 0.059 | 0.385            | 118,000 | 263,000 | 1,652,000 | 450,000 | 2,917,000 |
| 3.00           | 608,000   | 5.366  | 11.3   | 0.220 | 0.061 | 0.386            | 105,000 | 221,000 | 1,338,000 | 374,000 | 2,349,000 |
| INFERRED       |           |        |        |       |       |                  |         |         |           |         |           |
| 0.00           | 1,994,000 | 4.795  | 9.3    | 0.204 | 0.050 | 0.337            | 307,000 | 595,000 | 4,073,000 | 996,000 | 6,725,000 |
| 0.50           | 1,992,000 | 4.801  | 9.3    | 0.205 | 0.050 | 0.338            | 307,000 | 595,000 | 4,073,000 | 996,000 | 6,722,000 |
| 1.00           | 1,937,000 | 4.913  | 9.5    | 0.208 | 0.051 | 0.341            | 306,000 | 589,000 | 4,028,000 | 981,000 | 6,600,000 |
| 1.50           | 1,702,000 | 5.426  | 10.3   | 0.223 | 0.055 | 0.359            | 297,000 | 561,000 | 3,799,000 | 929,000 | 6,114,000 |
| 2.00           | 1,453,000 | 6.045  | 11.0   | 0.233 | 0.055 | 0.376            | 282,000 | 514,000 | 3,390,000 | 802,000 | 5,460,000 |
| 2.50           | 1,165,000 | 6.981  | 11.5   | 0.225 | 0.061 | 0.410            | 261,000 | 432,000 | 2,617,000 | 710,000 | 4,781,000 |
| 3.00           | 950,000   | 7.933  | 11.5   | 0.204 | 0.065 | 0.432            | 242,000 | 350,000 | 1,935,000 | 620,000 | 4,107,000 |
| SAN PABLO VEIN |           |        |        |       |       |                  |         |         |           |         |           |
| Cutoff         | ORE       |        |        | GRADE |       | CONTAINED        |         |         |           |         |           |
|                | tonnes    | Au g/t | Ag g/t | Cu%   | Pb%   | Zn%              | Au oz   | Ag oz   | Cu Kgs.   | Pb Kgs. | Zn Kgs.   |
| INDICATED      |           |        |        |       |       |                  |         |         |           |         |           |
| 0.00           | 1,530,000 | 5.773  | 11.6   | 0.254 | 0.011 | 0.034            | 283,000 | 573,000 | 3,878,000 | 162,000 | 513,000   |
| 0.50           | 1,527,000 | 5.783  | 11.7   | 0.254 | 0.011 | 0.034            | 284,000 | 573,000 | 3,877,000 | 162,000 | 512,000   |
| 1.00           | 1,482,000 | 5.935  | 11.9   | 0.259 | 0.011 | 0.034            | 283,000 | 568,000 | 3,839,000 | 158,000 | 500,000   |
| 1.50           | 1,401,000 | 6.204  | 12.3   | 0.267 | 0.011 | 0.034            | 279,000 | 553,000 | 3,735,000 | 153,000 | 478,000   |
| 2.00           | 1,308,000 | 6.522  | 12.7   | 0.276 | 0.011 | 0.035            | 274,000 | 535,000 | 3,607,000 | 147,000 | 458,000   |
| 2.50           | 1,197,000 | 6.917  | 13.2   | 0.288 | 0.012 | 0.036            | 266,000 | 508,000 | 3,441,000 | 139,000 | 432,000   |
| 3.00           | 1,091,000 | 7.320  | 13.7   | 0.297 | 0.012 | 0.037            | 257,000 | 480,000 | 3,241,000 | 132,000 | 405,000   |
| INFERRED       |           |        |        |       |       |                  |         |         |           |         |           |

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|      |         |       |      |       |       |       |         |         |           |        |         |
|------|---------|-------|------|-------|-------|-------|---------|---------|-----------|--------|---------|
| 0.00 | 860,000 | 4.179 | 8.8  | 0.159 | 0.010 | 0.031 | 115,000 | 242,000 | 1,367,000 | 84,000 | 263,000 |
| 0.50 | 842,000 | 4.262 | 8.9  | 0.162 | 0.010 | 0.031 | 115,000 | 241,000 | 1,363,000 | 84,000 | 261,000 |
| 1.00 | 756,000 | 4.653 | 9.3  | 0.168 | 0.010 | 0.030 | 113,000 | 225,000 | 1,273,000 | 74,000 | 227,000 |
| 1.50 | 614,000 | 5.445 | 10.5 | 0.188 | 0.010 | 0.030 | 108,000 | 207,000 | 1,157,000 | 60,000 | 185,000 |
| 2.00 | 532,000 | 6.016 | 11.3 | 0.202 | 0.010 | 0.030 | 103,000 | 194,000 | 1,074,000 | 51,000 | 161,000 |
| 2.50 | 463,000 | 6.583 | 11.6 | 0.215 | 0.009 | 0.031 | 98,000  | 172,000 | 997,000   | 43,000 | 143,000 |
| 3.00 | 426,000 | 6.917 | 11.9 | 0.220 | 0.009 | 0.031 | 95,000  | 163,000 | 935,000   | 40,000 | 131,000 |

| LA UNION VEIN            |           |        |        |       |       |       |         |           |           |           |           |
|--------------------------|-----------|--------|--------|-------|-------|-------|---------|-----------|-----------|-----------|-----------|
| Cutoff                   | ORE       |        |        | GRADE |       |       |         |           | CONTAINED |           |           |
|                          | tonnes    | Au g/t | Ag g/t | Cu%   | Pb%   | Zn%   | Au oz   | Ag oz     | Cu Kgs.   | Pb Kgs.   | Zn Kgs.   |
| INFERRED                 |           |        |        |       |       |       |         |           |           |           |           |
| 0.00                     | 1,290,000 | 4.502  | 12.4   | 0.145 | 0.019 | 0.041 | 187,000 | 515,000   | 1,876,000 | 252,000   | 535,000   |
| 0.50                     | 1,269,000 | 4.572  | 12.6   | 0.148 | 0.020 | 0.042 | 187,000 | 514,000   | 1,874,000 | 251,000   | 535,000   |
| 1.00                     | 1,221,000 | 4.721  | 12.8   | 0.152 | 0.020 | 0.044 | 185,000 | 503,000   | 1,856,000 | 250,000   | 532,000   |
| 1.50                     | 1,061,000 | 5.237  | 12.4   | 0.165 | 0.023 | 0.046 | 179,000 | 422,000   | 1,755,000 | 240,000   | 487,000   |
| 2.00                     | 849,000   | 6.107  | 13.7   | 0.186 | 0.026 | 0.053 | 167,000 | 374,000   | 1,579,000 | 221,000   | 448,000   |
| 2.50                     | 713,000   | 6.843  | 14.4   | 0.204 | 0.028 | 0.058 | 157,000 | 331,000   | 1,458,000 | 203,000   | 417,000   |
| 3.00                     | 580,000   | 7.792  | 16.5   | 0.231 | 0.034 | 0.069 | 145,000 | 308,000   | 1,340,000 | 196,000   | 403,000   |
| LA PURISIMA VEIN         |           |        |        |       |       |       |         |           |           |           |           |
| Cutoff                   | ORE       |        |        | GRADE |       |       |         |           | CONTAINED |           |           |
|                          | tonnes    | Au g/t | Ag g/t | Cu%   | Pb%   | Zn%   | Au oz   | Ag oz     | Cu Kgs.   | Pb Kgs.   | Zn Kgs.   |
| INFERRED                 |           |        |        |       |       |       |         |           |           |           |           |
| 0.00                     | 1,902,000 | 3.615  | 4.4    | 0.079 | 0.016 | 0.060 | 221,000 | 271,000   | 1,495,000 | 306,000   | 1,139,000 |
| 0.50                     | 1,901,000 | 3.617  | 4.4    | 0.079 | 0.016 | 0.060 | 221,000 | 271,000   | 1,495,000 | 306,000   | 1,139,000 |
| 1.00                     | 1,767,000 | 3.826  | 4.6    | 0.082 | 0.017 | 0.062 | 217,000 | 264,000   | 1,454,000 | 293,000   | 1,097,000 |
| 1.50                     | 1,351,000 | 4.648  | 5.1    | 0.093 | 0.017 | 0.059 | 202,000 | 223,000   | 1,255,000 | 230,000   | 799,000   |
| 2.00                     | 1,119,000 | 5.251  | 5.6    | 0.103 | 0.019 | 0.063 | 189,000 | 203,000   | 1,150,000 | 209,000   | 707,000   |
| 2.50                     | 961,000   | 5.744  | 5.7    | 0.109 | 0.019 | 0.065 | 178,000 | 177,000   | 1,048,000 | 186,000   | 627,000   |
| 3.00                     | 801,000   | 6.340  | 5.9    | 0.114 | 0.021 | 0.073 | 163,000 | 151,000   | 916,000   | 164,000   | 585,000   |
| TOTAL SAN JOSE DE GRACIA |           |        |        |       |       |       |         |           |           |           |           |
| Cutoff                   | ORE       |        |        | GRADE |       |       |         |           | CONTAINED |           |           |
|                          | tonnes    | Au g/t | Ag g/t | Pb%   | Zn%   | Au oz | Ag oz   | Cu Kgs.   | Pb Kgs.   | Zn Kgs.   |           |
| INDICATED                |           |        |        |       |       |       |         |           |           |           |           |
| 0.00                     | 2,695,000 | 4.897  | 10.495 | 0.225 | 0.028 | 0.161 | 424,000 | 910,000   | 6,043,000 | 740,000   | 4,328,000 |
| 0.50                     | 2,692,000 | 4.901  | 10.505 | 0.225 | 0.028 | 0.161 | 424,000 | 909,000   | 6,042,000 | 739,000   | 4,327,000 |
| 1.00                     | 2,610,000 | 5.031  | 10.734 | 0.229 | 0.028 | 0.164 | 422,000 | 901,000   | 5,976,000 | 728,000   | 4,273,000 |
| 1.50                     | 2,420,000 | 5.328  | 11.209 | 0.239 | 0.029 | 0.167 | 414,000 | 872,000   | 5,773,000 | 690,000   | 4,050,000 |
| 2.00                     | 2,200,000 | 5.685  | 11.8   | 0.249 | 0.029 | 0.170 | 402,000 | 831,000   | 5,482,000 | 646,000   | 3,733,000 |
| 2.50                     | 1,954,000 | 6.117  | 12.270 | 0.261 | 0.030 | 0.171 | 384,000 | 771,000   | 5,093,000 | 589,000   | 3,348,000 |
| 3.00                     | 1,699,000 | 6.621  | 12.838 | 0.269 | 0.030 | 0.162 | 362,000 | 701,000   | 4,579,000 | 506,000   | 2,754,000 |
| INFERRED                 |           |        |        |       |       |       |         |           |           |           |           |
| 0.00                     | 6,046,000 | 4.274  | 8.351  | 0.146 | 0.027 | 0.143 | 831,000 | 1,623,000 | 8,811,000 | 1,639,000 | 8,662,000 |
| 0.50                     | 6,003,000 | 4.302  | 8.398  | 0.147 | 0.027 | 0.144 | 830,000 | 1,621,000 | 8,805,000 | 1,638,000 | 8,657,000 |
| 1.00                     | 5,681,000 | 4.499  | 8.654  | 0.151 | 0.028 | 0.149 | 822,000 | 1,581,000 | 8,611,000 | 1,599,000 | 8,456,000 |
| 1.50                     | 4,728,000 | 5.164  | 9.293  | 0.168 | 0.031 | 0.160 | 785,000 | 1,413,000 | 7,965,000 | 1,459,000 | 7,586,000 |
| 2.00                     | 3,953,000 | 5.830  | 10.1   | 0.182 | 0.033 | 0.171 | 741,000 | 1,285,000 | 7,193,000 | 1,283,000 | 6,776,000 |
| 2.50                     | 3,303,000 | 6.535  | 10.473 | 0.185 | 0.034 | 0.180 | 694,000 | 1,112,000 | 6,120,000 | 1,142,000 | 5,967,000 |
| 3.00                     | 2,757,000 | 7.284  | 10.965 | 0.186 | 0.037 | 0.189 | 646,000 | 972,000   | 5,126,000 | 1,021,000 | 5,227,000 |

(Due to rounding the numbers in the above may not check exactly. Tonnes and contained metal are reported to nearest tonne, troy ounce or kilogram for comparative purposes only and do not imply this degree of precision or accuracy. This is an estimate of in situ resources only and there is no assurance that any part of these resources can be converted to reserves)





Selected drill hole results for Tres Amigos follow:

| Drill hole | Area        | From m | To m   | length<br>(m) | Au g/t | Ag g/t | Cu%  | Pb%  | Zn%  |
|------------|-------------|--------|--------|---------------|--------|--------|------|------|------|
| 97-002     | Tres Amigos | 42.70  | 58.20  | 15.50         | 3.99   | 15.10  | 0.38 | 0.00 | 0.00 |
| 97-006     | Tres Amigos | 27.80  | 29.65  | 1.85          | 6.46   | 45.50  | 1.10 | 0.03 | 0.32 |
| 97-007     | Tres Amigos | 57.00  | 67.00  | 10.00         | 3.41   | 12.20  | 0.09 | 0.00 | 0.00 |
| 97-009     | Tres Amigos | 100.00 | 102.00 | 2.00          | 13.53  | 3.10   | 0.02 | 0.01 | 0.50 |
| 97-012     | Tres Amigos | 24.50  | 26.20  | 1.70          | 8.57   | 34.90  | 0.39 | 1.00 | 4.30 |
| 97-013     | Tres Amigos | 95.00  | 107.50 | 12.50         | 20.80  | 21.80  | 0.43 | 0.06 | 0.15 |
| 97-035     | Tres Amigos | 126.00 | 132.00 | 6.00          | 8.84   | 14.20  | 0.28 | 0.00 | 0.13 |
| 97-037     | Tres Amigos | 35.90  | 37.20  | 1.30          | 11.97  | 15.00  | 0.19 | 0.22 | 3.60 |
| 97-039     | Tres Amigos | 40.20  | 43.20  | 3.00          | 29.50  | 44.60  | 0.58 | 0.95 | 7.45 |
| 97-040     | Tres Amigos | 78.00  | 80.00  | 2.00          | 14.88  | 10.90  | 0.19 | 0.17 | 0.10 |
| 97-040     | Tres Amigos | 92.00  | 94.00  | 2.00          | 10.81  | 16.30  | 0.38 | 0.01 | 0.78 |
| 97-040     | Tres Amigos | 104.00 | 108.00 | 4.00          | 7.21   | 4.80   | 0.04 | 0.00 | 0.25 |
| 97-045     | Tres Amigos | 100.00 | 106.00 | 6.00          | 11.46  | 3.40   | 0.03 | 0.02 | 0.17 |
| 97-047     | Tres Amigos | 124.94 | 132.00 | 7.06          | 7.51   | 15.40  | 0.09 | 0.27 | 3.42 |
| 97-050     | Tres Amigos | 78.00  | 80.00  | 2.00          | 8.53   | 10.80  | 0.05 | 0.78 | 2.00 |
| 08-102     | Tres Amigos | 158.66 | 162.47 | 3.81          | 5.10   | 6.60   | 0.14 | 0.01 | 0.19 |
| 08-104     | Tres Amigos | 67.45  | 68.80  | 1.35          | 26.20  | 327.90 | 1.60 | 0.23 | 0.01 |
| 08-113     | Tres Amigos | 25.10  | 26.70  | 1.60          | 13.40  | 3.20   | 0.00 | 0.01 | 0.90 |
| 08-115     | Tres Amigos | 153.30 | 159.00 | 5.70          | 8.31   | 8.30   | 0.17 | 0.00 | 0.07 |
| 08-116     | Tres Amigos | 134.80 | 138.10 | 3.30          | 21.74  | 9.90   | 0.06 | 0.04 | 0.15 |
| 08-118     | Tres Amigos | 27.84  | 31.88  | 4.04          | 5.18   | 30.50  | 0.38 | 0.80 | 5.68 |
| 08-118     | Tres Amigos | 52.65  | 53.73  | 1.08          | 13.70  | 13.90  | 0.06 | 0.98 | 4.53 |
| 10-150     | Tres Amigos | 285.61 | 288.49 | 2.88          | 10.93  | 14.24  | 0.32 | 0.01 | 0.03 |
| 10-150     | Tres Amigos | 312.80 | 321.81 | 9.01          | 3.97   | 2.35   | 0.09 | 0.00 | 0.03 |
| 10-151     | Tres Amigos | 208.38 | 216.20 | 7.82          | 22.19  | 14.70  | 0.36 | 0.01 | 0.06 |
| 10-152     | Tres Amigos | 174.42 | 175.55 | 1.13          | 9.85   | 16.68  | 0.18 | 0.05 | 0.15 |
| 10-153     | Tres Amigos | 207.47 | 211.10 | 3.63          | 5.36   | 12.92  | 0.33 | 0.05 | 0.23 |
| 10-154     | Tres Amigos | 73.00  | 74.75  | 1.75          | 21.89  | 9.30   | 0.00 | 0.00 | 0.02 |
| 10-175     | Tres Amigos | 135.93 | 140.00 | 4.07          | 3.41   | 8.34   | 0.15 | 0.28 | 0.56 |
| 10-175     | Tres Amigos | 241.59 | 245.40 | 3.81          | 6.37   | 3.41   | 0.02 | 0.00 | 0.03 |
| 10-176     | Tres Amigos | 221.04 | 228.91 | 7.87          | 2.00   | 7.02   | 0.18 | 0.09 | 1.02 |
| 10-177     | Tres Amigos | 228.63 | 245.00 | 16.37         | 10.58  | 9.75   | 0.25 | 0.02 | 0.09 |
| 10-178     | Tres Amigos | 222.55 | 233.45 | 10.90         | 4.22   | 8.11   | 0.31 | 0.01 | 0.13 |



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|        |             |        |        |      |        |        |      |      |      |
|--------|-------------|--------|--------|------|--------|--------|------|------|------|
| 10-179 | Tres Amigos | 75.3   | 77.02  | 1.72 | 105.51 | 49.60  | 0.03 | 0.01 | 0.06 |
| 10-179 | Tres Amigos | 174.85 | 179.52 | 4.67 | 5.70   | 15.89  | 0.11 | 0.00 | 0.16 |
| 10-226 | Tres Amigos | 205.05 | 213.09 | 8.04 | 18.47  | 19.77  | 0.42 | 0.13 | 0.22 |
| 10-227 | Tres Amigos | 176.95 | 186.75 | 9.80 | 8.42   | 11.92  | 0.41 | 0.04 | 0.33 |
| 10-228 | Tres Amigos | 164.31 | 167.29 | 2.98 | 3.73   | 26.21  | 0.58 | 0.09 | 0.35 |
| 10-230 | Tres Amigos | 244.91 | 249.45 | 4.54 | 18.09  | 15.48  | 0.53 | 0.02 | 0.03 |
| 10-231 | Tres Amigos | 266.70 | 269.45 | 2.75 | 8.99   | 35.18  | 0.84 | 0.00 | 0.03 |
| 10-233 | Tres Amigos | 177.00 | 179.40 | 2.40 | 5.42   | 2.87   | 0.03 | 0.04 | 0.41 |
| 10-234 | Tres Amigos | 214.61 | 217.97 | 3.36 | 15.05  | 13.45  | 0.23 | 0.01 | 0.01 |
| 10-235 | Tres Amigos | 147.65 | 151.15 | 3.50 | 2.95   | 0.55   | 0.01 | 0.00 | 0.01 |
| 10-237 | Tres Amigos | 92.44  | 92.84  | 0.40 | 883.91 | 195.00 | 0.24 | 0.77 | 5.35 |
| 11-246 | Tres Amigos | 107.30 | 108.20 | 0.90 | 63.85  | 10.10  | 0.03 | 0.01 | 0.01 |
| 11-257 | Tres Amigos | 60.84  | 63.33  | 2.49 | 5.37   | 9.28   | 0.25 | 0.01 | 0.40 |
| 11-257 | Tres Amigos | 92.00  | 94.66  | 2.66 | 5.00   | 6.74   | 0.25 | 0.02 | 1.16 |
| 11-260 | Tres Amigos | 63.40  | 71.15  | 7.75 | 7.84   | 10.68  | 0.16 | 0.12 | 2.28 |
| 11-265 | Tres Amigos | 47.95  | 52.17  | 4.22 | 3.07   | 2.14   | 0.07 | 0.00 | 0.08 |
| 11-271 | Tres Amigos | 115.40 | 120.15 | 4.75 | 13.93  | 18.56  | 0.54 | 0.02 | 0.14 |
| 11-278 | Tres Amigos | 66.75  | 67.40  | 0.65 | 16.34  | 2.80   | 0.02 | 0.02 | 0.08 |
| 11-280 | Tres Amigos | 3.05   | 4.57   | 1.52 | 10.67  | 0.50   | 0.01 | 0.00 | 0.01 |

San Pablo

The 2012 DynaMexico-Cam SJG Mineral Resource Estimate includes Indicated Resources at San Pablo of 1,308,000 tonnes with an average grade of 6.52 g/t, totaling 274,000 Oz. Au and includes an Inferred Resource of 532,000 tonnes with an average grade of 6.02 g/t, totaling 103,000 Oz. Au.

| SAN PABLO VEIN |           |        |        |       |       |       |         |           |           |         |         |
|----------------|-----------|--------|--------|-------|-------|-------|---------|-----------|-----------|---------|---------|
| Cutoff         | ORE       |        |        | GRADE |       |       |         | CONTAINED |           |         |         |
|                | tonnes    | Au g/t | Ag g/t | Cu%   | Pb%   | Zn%   | Au oz   | Ag oz     | Cu Kgs.   | Pb Kgs. | Zn Kgs. |
| INDICATED      |           |        |        |       |       |       |         |           |           |         |         |
| 0.00           | 1,530,000 | 5.773  | 11.6   | 0.254 | 0.011 | 0.034 | 283,000 | 573,000   | 3,878,000 | 162,000 | 513,000 |
| 0.50           | 1,527,000 | 5.783  | 11.7   | 0.254 | 0.011 | 0.034 | 284,000 | 573,000   | 3,877,000 | 162,000 | 512,000 |
| 1.00           | 1,482,000 | 5.935  | 11.9   | 0.259 | 0.011 | 0.034 | 283,000 | 568,000   | 3,839,000 | 158,000 | 500,000 |
| 1.50           | 1,401,000 | 6.204  | 12.3   | 0.267 | 0.011 | 0.034 | 279,000 | 553,000   | 3,735,000 | 153,000 | 478,000 |
| 2.00           | 1,308,000 | 6.522  | 12.7   | 0.276 | 0.011 | 0.035 | 274,000 | 535,000   | 3,607,000 | 147,000 | 458,000 |
| 2.50           | 1,197,000 | 6.917  | 13.2   | 0.288 | 0.012 | 0.036 | 266,000 | 508,000   | 3,441,000 | 139,000 | 432,000 |
| 3.00           | 1,091,000 | 7.320  | 13.7   | 0.297 | 0.012 | 0.037 | 257,000 | 480,000   | 3,241,000 | 132,000 | 405,000 |
| INFERRED       |           |        |        |       |       |       |         |           |           |         |         |
| 0.00           | 860,000   | 4.179  | 8.8    | 0.159 | 0.010 | 0.031 | 115,000 | 242,000   | 1,367,000 | 84,000  | 263,000 |
| 0.50           | 842,000   | 4.262  | 8.9    | 0.162 | 0.010 | 0.031 | 115,000 | 241,000   | 1,363,000 | 84,000  | 261,000 |
| 1.00           | 756,000   | 4.653  | 9.3    | 0.168 | 0.010 | 0.030 | 113,000 | 225,000   | 1,273,000 | 74,000  | 227,000 |
| 1.50           | 614,000   | 5.445  | 10.5   | 0.188 | 0.010 | 0.030 | 108,000 | 207,000   | 1,157,000 | 60,000  | 185,000 |
| 2.00           | 532,000   | 6.016  | 11.3   | 0.202 | 0.010 | 0.030 | 103,000 | 194,000   | 1,074,000 | 51,000  | 161,000 |
| 2.50           | 463,000   | 6.583  | 11.6   | 0.215 | 0.009 | 0.031 | 98,000  | 172,000   | 997,000   | 43,000  | 143,000 |
| 3.00           | 426,000   | 6.917  | 11.9   | 0.220 | 0.009 | 0.031 | 95,000  | 163,000   | 935,000   | 40,000  | 131,000 |

Selected drill hole results for San Pablo follow:

| Drill hole | Area      | From m | To m   | length (m) | Au g/t  | Ag g/t  | Cu%  | Pb%  | Zn%  |
|------------|-----------|--------|--------|------------|---------|---------|------|------|------|
| 07-007     | San Pablo | 85.50  | 87.50  | 2.00       | 24.55   | 45.00   | 0.49 | 0.03 | 0.07 |
| 07-008     | San Pablo | 115.80 | 118.10 | 2.30       | 7.60    | 18.90   | 0.02 | 0.01 | 0.00 |
| 07-009     | San Pablo | 167.40 | 170.55 | 3.15       | 8.24    | 2.00    | 0.00 | 0.00 | 0.01 |
| 07-012     | San Pablo | 19.70  | 23.90  | 4.20       | 10.45   | 10.00   | 0.15 | 0.00 | 0.01 |
| 07-023     | San Pablo | 69.10  | 70.50  | 1.40       | 9.16    | 24.50   | 0.63 | 0.03 | 0.04 |
| 07-026     | San Pablo | 65.90  | 67.80  | 1.90       | 34.00   | 18.70   | 0.21 | 0.01 | 0.05 |
| 07-027     | San Pablo | 142.80 | 148.85 | 6.05       | 13.72   | 28.60   | 1.06 | 0.02 | 0.04 |
| 07-029     | San Pablo | 130.60 | 132.30 | 1.70       | 23.86   | 43.00   | 0.94 | 0.00 | 0.01 |
| 07-031     | San Pablo | 94.25  | 98.05  | 3.80       | 31.32   | 69.60   | 1.01 | 0.23 | 0.74 |
| 08-048     | San Pablo | 219.46 | 228.66 | 9.20       | 4.39    | 7.50    | 0.28 | 0.00 | 0.01 |
| 08-051     | San Pablo | 183.55 | 192.60 | 9.05       | 22.95   | 13.60   | 0.40 | 0.00 | 0.03 |
| 08-060     | San Pablo | 235.70 | 238.60 | 2.90       | 13.88   | 12.50   | 0.58 | 0.00 | 0.01 |
| 08-089     | San Pablo | 173.80 | 175.10 | 1.30       | 4.11    | 35.60   | 1.00 | 0.01 | 0.01 |
| 08-090     | San Pablo | 190.70 | 191.90 | 1.20       | 11.55   | 48.50   | 1.00 | 0.02 | 0.02 |
| 08-092     | San Pablo | 124.80 | 125.80 | 1.00       | 23.31   | 0.50    | 0.00 | 0.01 | 0.00 |
| 08-097     | San Pablo | 227.69 | 229.75 | 2.06       | 17.04   | 20.00   | 0.56 | 0.03 | 0.04 |
| 09-131     | San Pablo | 95.55  | 96.65  | 1.10       | 28.25   | 20.30   | 0.26 | 0.17 | 0.18 |
| 09-133     | San Pablo | 126.80 | 129.80 | 3.00       | 13.10   | 10.25   | 0.32 | 0.00 | 0.02 |
| 09-134     | San Pablo | 79.09  | 81.57  | 2.48       | 4.33    | 9.46    | 0.36 | 0.00 | 0.02 |
| 09-135     | San Pablo | 75.70  | 79.10  | 3.40       | 4.60    | 24.29   | 1.22 | 0.01 | 0.02 |
| 09-137     | San Pablo | 135.90 | 140.87 | 4.97       | 5.35    | 12.46   | 0.31 | 0.00 | 0.01 |
| 09-137     | San Pablo | 157.25 | 158.93 | 1.68       | 12.50   | 16.90   | 0.39 | 0.00 | 0.01 |
| 09-138     | San Pablo | 150.62 | 153.59 | 2.97       | 8.80    | 10.46   | 0.28 | 0.00 | 0.02 |
| 09-139     | San Pablo | 132.18 | 137.68 | 5.50       | 20.51   | 25.82   | 0.70 | 0.00 | 0.01 |
| 09-140     | San Pablo | 99.92  | 102.20 | 2.28       | 4.59    | 67.30   | 1.77 | 0.00 | 0.01 |
| 10-195     | San Pablo | 170.67 | 173.61 | 2.94       | 3.26    | 10.47   | 0.32 | 0.00 | 0.00 |
| 10-197     | San Pablo | 48.15  | 51.82  | 3.67       | 7.96    | 13.18   | 0.49 | 0.00 | 0.03 |
| 10-197     | San Pablo | 102.00 | 105.30 | 3.30       | 28.38   | 14.00   | 0.00 | 0.01 | 0.09 |
| 10-199     | San Pablo | 4.68   | 6.24   | 1.56       | 9.14    | 4.10    | 0.02 | 0.00 | 0.00 |
| 10-201     | San Pablo | 23.40  | 25.50  | 2.10       | 15.78   | 17.35   | 0.19 | 0.01 | 0.02 |
| 10-203     | San Pablo | 70.65  | 76.15  | 5.50       | 332.86* | 143.90* | 0.02 | 0.00 | 0.01 |
| 10-207     | San Pablo | 80.15  | 83.20  | 3.05       | 16.74   | 24.17   | 0.54 | 0.01 | 0.02 |
| 10-212     | San Pablo | 46.80  | 51.60  | 4.80       | 5.90    | 6.97    | 0.38 | 0.01 | 0.22 |

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|        |           |        |        |      |       |       |      |      |      |
|--------|-----------|--------|--------|------|-------|-------|------|------|------|
| 10-213 | San Pablo | 171.75 | 173.56 | 1.81 | 5.78  | 10.60 | 0.18 | 0.00 | 0.01 |
| 10-215 | San Pablo | 186.80 | 190.27 | 3.47 | 15.82 | 14.68 | 0.41 | 0.03 | 0.02 |
| 10-217 | San Pablo | 182.64 | 184.06 | 1.42 | 89.95 | 38.70 | 0.74 | 0.00 | 0.01 |
| 10-219 | San Pablo | 155.84 | 157.25 | 1.41 | 10.82 | 11.84 | 0.39 | 0.00 | 0.01 |
| 10-221 | San Pablo | 69.98  | 71.98  | 2.00 | 13.14 | 23.93 | 0.62 | 0.00 | 0.01 |
| 10-224 | San Pablo | 122.82 | 125.05 | 2.23 | 5.29  | 18.70 | 0.69 | 0.02 | 0.04 |
| 10-224 | San Pablo | 148.60 | 154.95 | 6.35 | 7.04  | 13.31 | 0.57 | 0.00 | 0.01 |
| 10-236 | San Pablo | 112.96 | 117.03 | 4.07 | 11.38 | 22.92 | 0.68 | 0.00 | 0.01 |
| 11-247 | San Pablo | 63.60  | 65.45  | 1.85 | 10.49 | 5.92  | 0.01 | 0.00 | 0.02 |
| 11-247 | San Pablo | 80.00  | 83.47  | 3.47 | 5.00  | 36.71 | 0.53 | 0.01 | 0.02 |
| 11-249 | San Pablo | 108.20 | 109.93 | 1.73 | 8.21  | 30.29 | 0.80 | 0.00 | 0.02 |
| 11-250 | San Pablo | 101.72 | 104.81 | 3.09 | 20.15 | 53.44 | 0.88 | 0.24 | 0.54 |
| 11-263 | San Pablo | 119.88 | 121.13 | 1.25 | 9.47  | 21.70 | 0.65 | 0.01 | 0.04 |
| 11-264 | San Pablo | 145.21 | 146.45 | 1.24 | 21.24 | 78.80 | 0.72 | 0.04 | 0.01 |
| 11-268 | San Pablo | 92.65  | 94.25  | 1.60 | 11.74 | 21.13 | 0.37 | 0.01 | 0.04 |

## La Union

The 2012 DynaMexico-Cam SJG Mineral Resource Estimate includes Inferred Resources at La Union of 849,000 tonnes with an average grade of 6.11 g/t, totaling 167,000 Oz. Au.

| LA UNION VEIN |           |        |      |       |       |       |         |           |           |         |         |
|---------------|-----------|--------|------|-------|-------|-------|---------|-----------|-----------|---------|---------|
| Cutoff tonnes | ORE       |        |      |       |       | GRADE |         | CONTAINED |           |         |         |
|               | Au g/t    | Ag g/t | Cu%  | Pb%   | Zn%   | Au oz | Ag oz   | Cu Kgs.   | Pb Kgs.   | Zn Kgs. |         |
| INFERRED      |           |        |      |       |       |       |         |           |           |         |         |
| 0.00          | 1,290,000 | 4.502  | 12.4 | 0.145 | 0.019 | 0.041 | 187,000 | 515,000   | 1,876,000 | 252,000 | 535,000 |
| 0.50          | 1,269,000 | 4.572  | 12.6 | 0.148 | 0.020 | 0.042 | 187,000 | 514,000   | 1,874,000 | 251,000 | 535,000 |
| 1.00          | 1,221,000 | 4.721  | 12.8 | 0.152 | 0.020 | 0.044 | 185,000 | 503,000   | 1,856,000 | 250,000 | 532,000 |
| 1.50          | 1,061,000 | 5.237  | 12.4 | 0.165 | 0.023 | 0.046 | 179,000 | 422,000   | 1,755,000 | 240,000 | 487,000 |
| 2.00          | 849,000   | 6.107  | 13.7 | 0.186 | 0.026 | 0.053 | 167,000 | 374,000   | 1,579,000 | 221,000 | 448,000 |
| 2.50          | 713,000   | 6.843  | 14.4 | 0.204 | 0.028 | 0.058 | 157,000 | 331,000   | 1,458,000 | 203,000 | 417,000 |
| 3.00          | 580,000   | 7.792  | 16.5 | 0.231 | 0.034 | 0.069 | 145,000 | 308,000   | 1,340,000 | 196,000 | 403,000 |

Selected drill results for La Union follow:

| Drill hole | Area     | From m | To m   | length (m) | Au g/t | Ag g/t | Cu%  | Pb%  | Zn%  |
|------------|----------|--------|--------|------------|--------|--------|------|------|------|
| 92-001     | La Union | 46.00  | 60.96  | 14.96      | 2.58   |        |      |      |      |
| 97-027     | La Union | 20.30  | 21.30  | 1.00       | 6.14   | 12.50  | 0.05 | 0.24 | 0.04 |
| 97-029     | La Union | 38.10  | 41.20  | 3.10       | 3.63   | 8.60   | 0.11 | 0.02 | 0.06 |
| 97-030     | La Union | 75.00  | 78.10  | 3.10       | 4.62   | 9.10   | 0.50 | 0.00 | 0.01 |
| 97-031     | La Union | 87.00  | 91.00  | 4.00       | 2.84   | 6.70   | 0.34 | 0.00 | 0.01 |
| 97-034     | La Union | 45.70  | 47.70  | 2.00       | 8.87   | 4.10   | 0.14 | 0.00 | 0.01 |
| 08-061     | La Union | 27.80  | 31.30  | 3.50       | 2.01   | 24.80  | 0.45 | 0.22 | 0.15 |
| 08-076     | La Union | 32.75  | 34.85  | 2.10       | 36.09  | 47.80  | 0.43 | 0.80 | 1.06 |
| 08-080     | La Union | 125.30 | 128.40 | 3.10       | 4.82   | 4.40   | 0.11 | 0.00 | 0.01 |
| 09-143     | La Union | 55.36  | 56.76  | 1.40       | 12.08  | 8.80   | 0.13 | 0.01 | 0.01 |
| 10-208     | La Union | 150.61 | 152.67 | 2.06       | 6.60   | 10.30  | 0.40 | 0.00 | 0.01 |
| 10-216     | La Union | 39.24  | 42.20  | 2.96       | 12.36  | 3.45   | 0.06 | 0.00 | 0.01 |
| 10-218     | La Union | 140.01 | 141.30 | 1.29       | 8.42   | 6.41   | 0.08 | 0.00 | 0.01 |
| 10-223     | La Union | 29.52  | 31.14  | 1.62       | 9.90   | 6.60   | 0.02 | 0.00 | 0.02 |
| 10-223     | La Union | 63.90  | 67.42  | 3.52       | 10.24  | 10.69  | 0.62 | 0.00 | 0.01 |
| 11-244     | La Union | 73.82  | 74.86  | 1.04       | 9.79   | 65.20  | 1.42 | 0.03 | 0.37 |
| 11-252     | La Union | 55.25  | 59.70  | 4.45       | 4.26   | 12.05  | 0.37 | 0.01 | 0.04 |
| 11-256     | La Union | 51.61  | 52.85  | 1.24       | 144.08 | 138.60 | 1.06 | 1.61 | 1.78 |
| 11-256     | La Union | 99.93  | 101.29 | 1.36       | 9.04   | 3.30   | 0.01 | 0.00 | 0.01 |

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11-298 La Union 49.15 49.85 0.7 49.39 20.80 0.20 0.01 0.03

La Purisima

The 2012 DynaMexico-CAM SJG Mineral Resource Estimate includes Inferred Resources at La Purisima of 1,119,000 tonnes with an average grade of 5.25 g/t, totaling 189,000 Oz. Au.

| Cutoff tonnes | LA PURISIMA VEIN |        |     |       |       |       | CONTAINED |         |           |         |           |
|---------------|------------------|--------|-----|-------|-------|-------|-----------|---------|-----------|---------|-----------|
|               | ORE              | GRADE  |     |       |       | Au oz | Ag oz     | Cu Kgs. | Pb Kgs.   | Zn Kgs. |           |
|               | Au g/t           | Ag g/t | Cu% | Pb%   | Zn%   |       |           |         |           |         |           |
| INFERRED      |                  |        |     |       |       |       |           |         |           |         |           |
| 0.00          | 1,902,000        | 3.615  | 4.4 | 0.079 | 0.016 | 0.060 | 221,000   | 271,000 | 1,495,000 | 306,000 | 1,139,000 |
| 0.50          | 1,901,000        | 3.617  | 4.4 | 0.079 | 0.016 | 0.060 | 221,000   | 271,000 | 1,495,000 | 306,000 | 1,139,000 |
| 1.00          | 1,767,000        | 3.826  | 4.6 | 0.082 | 0.017 | 0.062 | 217,000   | 264,000 | 1,454,000 | 293,000 | 1,097,000 |
| 1.50          | 1,351,000        | 4.648  | 5.1 | 0.093 | 0.017 | 0.059 | 202,000   | 223,000 | 1,255,000 | 230,000 | 799,000   |
| 2.00          | 1,119,000        | 5.251  | 5.6 | 0.103 | 0.019 | 0.063 | 189,000   | 203,000 | 1,150,000 | 209,000 | 707,000   |
| 2.50          | 961,000          | 5.744  | 5.7 | 0.109 | 0.019 | 0.065 | 178,000   | 177,000 | 1,048,000 | 186,000 | 627,000   |
| 3.00          | 801,000          | 6.340  | 5.9 | 0.114 | 0.021 | 0.073 | 163,000   | 151,000 | 916,000   | 164,000 | 585,000   |

Selected drill hole results for La Purisima follow:

| Drill hole | Area        | From m | To m   | length (m) | Au g/t | Ag g/t | Cu%  | Pb%  | Zn%  |
|------------|-------------|--------|--------|------------|--------|--------|------|------|------|
| 97-055     | La Purisima | 24.40  | 27.40  | 3.00       | 5.24   | 28.50  | 0.63 | 0.35 | 1.83 |
| 97-063     | La Purisima | 54.50  | 61.50  | 7.00       | 3.13   | 4.00   | 0.07 | 0.02 | 0.00 |
| 97-063     | La Purisima | 67.30  | 70.00  | 2.70       | 8.45   | 11.10  | 0.68 | 0.00 | 0.00 |
| 07-016     | La Purisima | 32.45  | 34.60  | 2.15       | 5.20   | 4.20   | 0.22 | 0.00 | 0.01 |
| 07-021     | La Purisima | 158.70 | 160.80 | 2.10       | 75.90  | 76.00  | 1.61 | 0.07 | 0.00 |
| 07-036     | La Purisima | 91.40  | 92.82  | 1.42       | 4.47   | 2.60   | 0.01 | 0.01 | 0.06 |
| 07-037     | La Purisima | 251.30 | 253.50 | 2.20       | 4.88   | 23.00  | 0.01 | 0.01 | 0.00 |
| 07-039     | La Purisima | 197.55 | 200.80 | 3.25       | 10.93  | 4.60   | 0.04 | 0.00 | 0.01 |
| 07-042     | La Purisima | 16.10  | 18.30  | 2.20       | 3.02   | 2.00   | 0.01 | 0.01 | 0.05 |
| 08-068     | La Purisima | 135.40 | 137.00 | 1.60       | 18.16  | 8.30   | 0.04 | 0.03 | 0.22 |
| 08-070     |             | 120.50 | 121.60 | 1.10       | 9.50   | 2.70   | 0.01 | 0.00 | 0.06 |

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|        |                |        |        |       |       |       |      |      |      |
|--------|----------------|--------|--------|-------|-------|-------|------|------|------|
|        | La<br>Purisima |        |        |       |       |       |      |      |      |
| 08-082 | La<br>Purisima | 151.60 | 153.30 | 1.70  | 18.16 | 0.10  | 0.00 | 0.00 | 0.04 |
| 10-161 | La<br>Purisima | 87.70  | 99.67  | 11.97 | 3.12  | 4.86  | 0.36 | 0.00 | 0.01 |
| 10-186 | La<br>Purisima | 92.10  | 93.45  | 1.35  | 14.73 | 11.17 | 0.47 | 0.00 | 0.00 |
| 10-193 | La<br>Purisima | 41.15  | 46.75  | 5.60  | 3.96  | 32.31 | 0.01 | 0.10 | 0.14 |
| 10-198 | La<br>Purisima | 35.05  | 36.58  | 1.53  | 13.64 | 6.10  | 0.14 | 0.00 | 0.00 |
| 10-204 | La<br>Purisima | 128.02 | 131.86 | 3.84  | 4.06  | 3.15  | 0.09 | 0.00 | 0.00 |
| 10-204 | La<br>Purisima | 173.15 | 174.58 | 1.43  | 7.21  | 5.57  | 0.08 | 0.00 | 0.01 |
| 10-206 | La<br>Purisima | 121.73 | 124.04 | 2.31  | 14.63 | 3.45  | 0.02 | 0.00 | 0.00 |
| 11-282 | La<br>Purisima | 27.43  | 30.48  | 3.05  | 6.21  | 3.44  | 0.01 | 0.02 | 0.03 |
| 11-282 | La<br>Purisima | 74.45  | 75.36  | 0.91  | 18.87 | 10.10 | 0.03 | 0.00 | 0.00 |
| 11-282 | La<br>Purisima | 152.40 | 153.92 | 1.52  | 7.79  | 1.40  | 0.04 | 0.00 | 0.00 |
| 11-285 | La<br>Purisima | 85.06  | 87.92  | 2.86  | 3.93  | 0.80  | 0.03 | 0.00 | 0.00 |
| 11-285 | La<br>Purisima | 98.50  | 102.15 | 3.65  | 6.70  | 3.87  | 0.20 | 0.00 | 0.01 |
| 11-289 | La<br>Purisima | 109.73 | 112.78 | 3.05  | 9.50  | 7.05  | 0.11 | 0.02 | 0.00 |
| 11-293 | La<br>Purisima | 38.11  | 39.27  | 1.16  | 10.06 | 0.50  | 0.01 | 0.00 | 0.00 |
| 11-293 | La<br>Purisima | 158.75 | 160.55 | 1.80  | 12.65 | 2.84  | 0.10 | 0.00 | 0.01 |

#### National Instrument 43-101 Technical Report for San Jose de Gracia

The Company received from DynaMexico on March 28, 2012 a National Instrument 43-101 (“NI 43-101”) compliant Technical Report for the San Jose de Gracia Project (the “2012 DynaMexico Luna-CAM SJG Technical Report”, the “Technical Report”), and approved by DynaResource de Mexico, SA de CV. (“DynaMexico”), the 100% owner of SJG.

The 2012 DynaMexico Luna-CAM SJG Technical Report was prepared by Mr. Ramon Luna, BS, P.Geo., of Servicios y Proyectos Mineros, Hermosillo, Mexico, and a Qualified Person as defined under NI 43-101; and by Mr. Robert Sandefur, BS, MSc, P.E., a senior reserve analyst for Chlumsky, Armbrust & Meyer LLC, Lakewood, CO., and a Qualified Person as defined under NI 43-101. The 2012 DynaMexico Luna-CAM SJG Technical Report includes as Section Fourteen (14) a Mineral Resource Estimate for SJG as prepared by Mr. Sandefur (the “2012 DynaMexico-CAM SJG 43-101 Mineral Resource Estimate”, the “Resource Estimate”).

The Company filed the Technical Report on SEDAR ([www.sedar.com](http://www.sedar.com)) on March 28, 2012.

#### Preliminary Economic Assessment Report

The Company anticipates that DynaMexico will commission at least one Preliminary Economic Assessment Report for the SJG Project in the second quarter, 2012.

#### Company Transition from Exploration to Mining – Production

The Company expects to transition its business from that of a purely exploration company, to an exploration and production company. With the foundational resource for SJG as reported in the 2012 DynaMexico-CAM SJG Mineral Resource Estimate, the Company expects DynaMexico to confirm a positive economic assessment for SJG in the Preliminary Economic Assessment Report expected to be commissioned by DynaMexico.

#### Capital Requirements

The mining industry in general requires significant capital in order to take a property from the exploration, to development to production. These costs remain a significant barrier to entry for the average company but once in production, there is a ready market for the final products. In the case of SJG, the final product would be mainly gold, the price of which is determined by global markets, so there is not a dependence on a customer base.

#### Gold

**Gold Uses.** Gold generally is used for fabrication or investment. Fabricated gold has a variety of end uses, including jewelry, electronics, dentistry, industrial and decorative uses, medals, medallions and official coins. Gold investors buy gold bullion, official coins and jewelry.

**Gold Supply.** A combination of current mine production, recycling and draw-down of existing gold stocks held by governments, financial institutions, industrial organizations and private individuals make up the annual gold supply. Based on public information available for the years 2008 through 2011, on average, current mine production has accounted for approximately 64% of the annual gold supply.



Gold Price. The following table presents the annual high, low and average daily afternoon fixing prices for gold over the past ten years on the London Bullion Market (\$/ounce):

| Year                       | High     | Low      | Average  |
|----------------------------|----------|----------|----------|
| 2002                       | \$ 349   | \$ 278   | \$ 310   |
| 2003                       | \$ 416   | \$ 320   | \$ 363   |
| 2004                       | \$ 454   | \$ 375   | \$ 410   |
| 2005                       | \$ 536   | \$ 411   | \$ 444   |
| 2006                       | \$ 725   | \$ 525   | \$ 604   |
| 2007                       | \$ 841   | \$ 608   | \$ 695   |
| 2008                       | \$ 1,011 | \$ 713   | \$ 872   |
| 2009                       | \$ 1,213 | \$ 810   | \$ 972   |
| 2010                       | \$ 1,421 | \$ 1,058 | \$ 1,225 |
| 2011                       | \$ 1,895 | \$ 1,319 | \$ 1,572 |
| 2012 (through May 9, 2012) | \$ 1,778 | \$ 1,583 | \$ 1,677 |

Source: Kitco, Reuters and the London Bullion Market Association

On May 9, 2012, the afternoon fixing gold price on the London Bullion Market was \$1,599 per ounce and the spot market gold price on the New York Commodity Exchange was \$1,594 per ounce.

#### Condition of Physical Assets and Insurance

Our business is capital intensive and requires ongoing capital investment for the replacement, modernization or expansion of equipment and facilities. We, and our subsidiaries, maintain insurance policies against property loss. Such insurance, however, contains exclusions and limitations on coverage, particularly with respect to environmental liability and political risk. There can be no assurance that claims would be paid under such insurance policies in connection with a particular event.

#### Environmental Matters

Our activities are largely outside the United States and subject to governmental regulations for the protection of the environment. We conduct our operations so as to protect public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects. DynaMexico is involved with reclamation matters with the oversight of Semarnat, the federal environmental agency of Mexico.

#### RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

**REVENUE.** Revenue for the three months ended March 31, 2012 and 2011 was \$0 and \$0, respectively. The company ceased its own production activities in 2006 in order to focus its efforts on exploration and drilling activity, for the purpose of defining commercial ore resources.

**COST OF EXPLORATION.** Exploration costs were \$234,871 and \$1,663,036 for the three months ended March 31, 2012 and 2011 respectively. The decrease in costs was due to the decrease in exploration and drilling activity from one year to the next.

**OPERATING EXPENSES.** Operating expenses for the three months ended March 31, 2012 and 2011 were \$816,989 and \$446,675 respectively. The above expenses include depreciation and amortization amounts of \$35,234 and \$35,232 for the three months ended March 31, 2012, respectively.

**OTHER INCOME (EXPENSE).** Other income, exclusive of currency translation gain or (loss) was \$250 and \$297 for the three months ended March 31, 2012 and 2011, respectively. Currency translation gain or (loss) was \$381,491 and \$474,633 for the three months ended March 31, 2012 and 2011, respectively.

**NON-CONTROLLING INTEREST.** The non-controlling interest portion of our net loss for the three months ended March 31, 2012 and 2011 was \$221,814 and \$724,320, respectively. This is due to the Company reporting a smaller year over year loss.

**COMPREHENSIVE (LOSS).** Comprehensive loss includes the company's net loss plus the unrealized currency translation gain (loss) for the period which was a loss of \$367,739 and a loss of \$910,551 for the three months ended March 31, 2012 and 2011, respectively.

**LIQUIDITY AND CAPITAL RESOURCES.** The Company has sufficient capital on hand to fund overhead operations through 2013.

## PLAN OF OPERATION

### Preliminary Economic Assessment Report

DynaMexico approved and released the National Instrument 43-101 ("NI 43-101") Technical Report for SJG on March 28, 2012, and the Company now expects DynaMexico to commission a Preliminary Economic Assessment Report ("PEA") in the second quarter, 2012. The Company expects the PEA to be commissioned to and compiled by a reputable firm and pursuant to National Instrument 43-101.

### Structure of Company / Operations

Activities in México are conducted by DynaMéxico, through operating agreement to the operating subsidiary of DynaResource, Inc., Mineras de DynaResource SA de CV. ("MinerasDyna"); with the management of personnel being contracted by MinerasDyna through to the personnel management subsidiary, DynaResource Operaciones, SA de CV ("DynaOperaciones"). DynaResource, Inc. management and consultants continue to manage the 3 subsidiaries in México; while Chairman / CEO K.D. Diepholz is the President of each of the 3 companies. Management and administrative fees are charged by MinerasDyna and DynaOperaciones, which are eliminated in consolidation.

### Competitive Advantage

The Company, through its subsidiaries, has been conducting business in México since March, 2000. During this period the Company believes it has structured its subsidiaries properly and strategically, and during which time the Company has retained key personnel and developed key relationships and support. The Company believes its experience and accomplishments in México gives it a competitive advantage, even though many competitors may be larger and have more capital resources.

### Drilling Programs

Further drilling programs at SJG are projected for the latter half of 2012, but those plans will take into consideration the recent NI 43-101 2012 DynaMexico-CAM SJG Mineral Resource Estimate and the recommendations made in the 2012 DynaMexico Luna-CAM SJG 43-101 Technical Report. Further drilling may be based upon recommendations made in the anticipated PEA report. The Company expects continued drilling at SJG in order to expand resources at San Pablo, Tres Amigos, La Cecena, Palos Chinos, La Union, La Purisima, and La Prieta. And, the Company expects extensions to mineralization in all directions and down dip from the main target areas.

### Liquidity and Capital Resources

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As of March 31, 2012, the Company maintained working capital of \$2,235,427, comprised of current assets of \$2,321,214 and current liabilities of \$85,787. This represents a decrease of \$389,938 from the working capital maintained by the Company of \$2,625,365 at December 31, 2011.

Net cash used in operations for the three months ended March 31, 2012 was \$522,035 compared to \$1,702,608 for the three months ended March 31, 2011. The decrease was a result of less activity on the property in the first quarter of 2012 compared to 2011.

Cash used for purchase of fixed assets was \$0 in the quarter ended March 31, 2012 compared to \$631,767 in the same period in 2011.

Cash provided by financing activities for the three months ended March 31, 2012 was \$50,404 compared to \$4,049,821 for the same period in 2011. The main difference was that in the first quarter of 2011, Goldgroup contributed \$4,000,000 towards its required contribution under the Earn In/Option Agreement.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk.

Not applicable.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2012. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer, and chief financial officer / principal financial officer who concluded that the company's disclosure controls and procedures are effective to ensure that all material information required to be filed in the quarterly report on Form 10-Q has been made known to them.

For purposes of this section, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure, controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by in our reports filed under the Securities Exchange Act of 1934, as amended (the "Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation conducted for the period ended March 31, 2012, our Chief Executive Officer and Chief Financial Officer as of March 31, 2012, and as of the date of this Report, have concluded that as of the end of the period covered by this report, we have identified no material weakness in our internal controls.

Corporate expenditures are processed and paid by officers of the Company. However, the current number of transactions incurred by the Company does not justify additional accounting staff to be retained.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework at March 31, 2012. Based on its evaluation, our management concluded that, as of March 31, 2012, our internal control over financial reporting was effective.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this quarterly report.

#### Changes in Internal Controls over Financial Reporting

The Company has not made any changes in its internal controls over financial reporting that occurred during the period covered by this report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

Recent Sales of Unregistered Securities

During the three months ended March 31, 2012, the Company issued 69,750 common shares and 127,750 common stock options for \$406,750 cash. There were no underwriting discounts or commissions paid and the Company received the full amount of the funds. The sale of these securities were exempt from registration under Section 4(2) of the U.S. Securities Act of 1933. The funds will be used by the Company for working capital purposes.

ITEM 3. NOT APPLICABLE.

ITEM 4. NOT APPLICABLE.

ITEM 5. NOT APPLICABLE.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) None.

(b) Exhibits.

| Exhibit Number; | Name of Exhibit  |
|-----------------|--|
| 31.1            | Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.                             |
| 31.2            | Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.                             |
| 32.1            | Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002. |

34

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DynaResource, Inc.

By /s/ K.W. ("K.D.") Diepholz

K.W. ("K.D.") Diepholz, Chairman / CEO

Date: May 11, 2012

35

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